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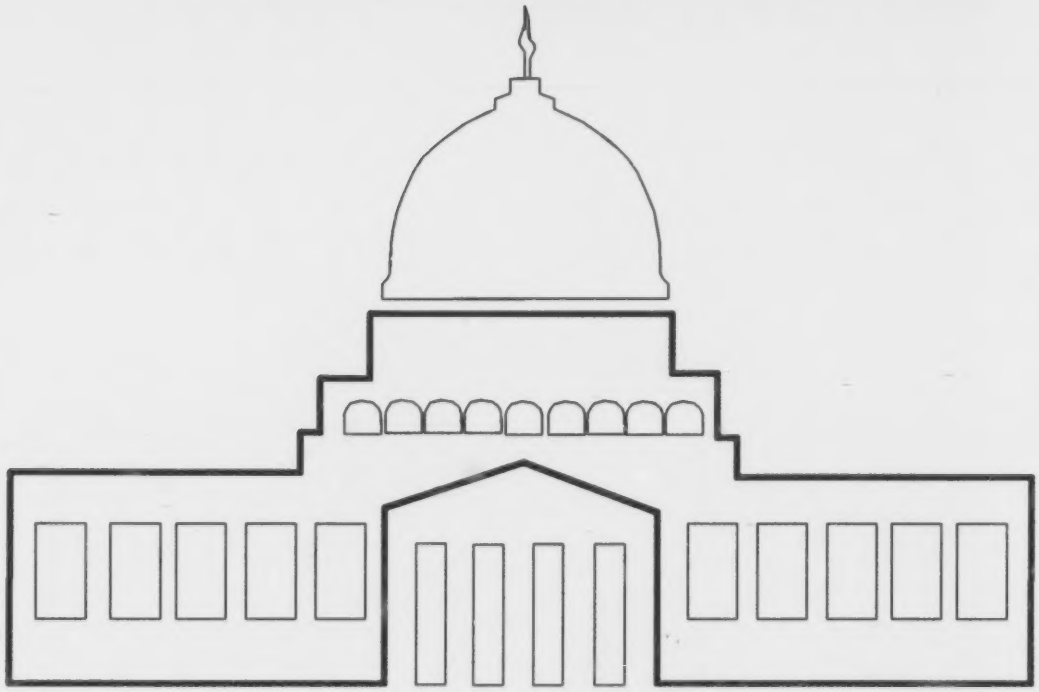
STATE OF ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1989



Prepared by

Department of Administration
Division of Finance
General Accounting Office

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INTRODUCTORY SECTION

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FIFE SYMINGTON
Governor

GERARD W. TOBIN
Acting Director

ARIZONA DEPARTMENT OF ADMINISTRATION
OFFICE OF THE DIRECTOR
1700 WEST WASHINGTON • ROOM 801
PHOENIX, ARIZONA 85007

(602) 542-1500

June 3, 1991

The Honorable Fife Symington,
Governor of the State of Arizona,
Members of the Legislature, and
Citizens and Taxpayers of
the State of Arizona

Ladies and Gentlemen:

In accordance with Section 35-131 of the Arizona Revised Statutes, it is our pleasure to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Arizona for the fiscal year ended June 30, 1989. This is the State of Arizona's first CAFR prepared in accordance with generally accepted accounting principles (GAAP). Responsibility for accuracy of data, completeness and fairness of presentation, including all disclosures, rests with the State's management. The data presented in this report, to the best of our knowledge and belief, are accurate in all material respects and are reported in a manner which fairly presents the financial position and results of operations of the various funds and account groups of the State. All disclosures necessary for the reader to gain a reasonable understanding of the State's financial activities have been included.

The report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this Letter of Transmittal, the State's organization chart and a list of principal State officials. The Financial Section begins with the State Auditor General's report and contains the General Purpose Financial Statements, Combining Financial Statements by Fund Type and Account Group, and other schedules. The Statistical Section includes selected financial, economic and demographic data.

FINANCIAL REPORTING ENTITY

The accompanying CAFR includes all funds and account groups for which the State exercises oversight responsibility. The determination of "oversight responsibility" is based on criteria

established in the Codification of "Governmental Accounting and Financial Reporting Standards", issued by the Governmental Accounting Standards Board, (Section 2100). Note 1.B of Notes to the Financial Statements explains which units are included and excluded from the Financial Reporting Entity of the State.

SERVICES PROVIDED BY THE STATE

The services provided by the State are administered through various agencies, departments, boards, commissions and institutions of higher learning. These services include: (1) General Government, (2) Health and Welfare, (3) Inspection and Regulation, (4) Education, (5) Protection and Safety, (6) Transportation, and (7) Natural Resources.

GENERAL GOVERNMENTAL FUNCTIONS

General governmental activities are accounted for in four Governmental Fund types: (1) the General Fund, (2) Special Revenue Funds, (3) Capital Projects Funds, and (4) Debt Service Funds.

Revenue for governmental and expendable trust fund functions totaled $5,545.4 million for the fiscal year ending June 30, 1989. Taxes, the single largest source of general governmental revenue, produced 72.4% of revenue. Revenue from various sources for Fiscal Year 1989 is shown in the Financial Highlights on page 8.

Expenditures for governmental and expendable trust fund functions totaled $5,395.3 million for the fiscal year ending June 30, 1989. Governmental expenditures for Fiscal Year 1989 are displayed in the Financial Highlights on page 8.

BUDGETARY CONTROLS

Budgetary control is maintained through legislative appropriation and the executive branch allotment process. The Governor is required to submit an annual budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature and approval by the Governor. The appropriated funds are controlled by the executive branch through an allotment process. This process allocates the appropriation into quarterly allotments by legal appropriation level. The State also maintains an encumbrance accounting system to further enhance budgetary control. With the exception of capital outlay items, encumbered amounts lapse as of the end of the fiscal year. Capital outlay appropriations and encumbrances continue from year to year.

The State's budgetary policies and procedures, fund accounting structure, and basis of accounting are explained in detail in Note 1 of the Notes to the Financial Statements.

INTERNAL CONTROLS

The State is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the State are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgements by management. In the opinion of management, the State's internal controls are adequate to provide reasonable assurance that these objectives are met.

CASH MANAGEMENT

The responsibility for cash management of the State is shared by the Office of the Treasurer (Treasurer) and the General Accounting Office of the Department of Administration, Finance Division (GAO). The Treasurer is responsible for the depository, custodial and investment functions of cash. The GAO is responsible for drawing down monies available for State functions, and the expenditure or disbursement of those monies. Currently, the GAO is exploring alternatives regarding the consolidation of their cash management functions. The results will comply with potential Federal requirements and promote efficient use of cash.

The State requires that Treasurer's deposits and investments with financial institutions be entirely covered by Federal depository insurance or, alternatively collateralized with surety equal to 102% of the deposit or investment. Component units may have collateralization policies that differ from those of the Treasurer.

The legislature has passed statutes regulating State investments. Note 2.A in the Notes to the Financial Statements describes the types of investment made by the State.

The Treasurer deposits receipts in accordance with applicable statutes and invests excess cash of the General Fund and other various funds. All interest, not otherwise apportioned by law, is deposited in the General Fund. Investment earnings for the General Fund totaled $31.5 million for the fiscal year ended June 30, 1989.

DEBT ADMINISTRATION

The Arizona State Constitution under Article 9, Section 5 provides that the State may contract debts not to exceed $350,000. This provision has been interpreted to restrict the State from pledging its credit as a sole source of payment for debts incurred for the operation of State government. As a result, the State finances most of its major capital needs by issuing revenue bonds and lease purchase transactions. Revenue bonds are associated with specific State functions and are funded by dedicated revenue sources. Lease purchase transactions are funded by Certificates of Participation (COPs) subject to annual legislative appropriation.

The State first issued COPs in 1985 to acquire a telecommunications system for Arizona State University. Since that time, five more issues have been transacted for the construction and purchase of seventeen buildings and other structures. In all cases, the Attorney General determined that the issuance of the COPs were in accordance with the provisions of the Constitution.

Currently, the State's COPs carry a rating of A from both Moody's Investors Service, Inc. and Standard and Poor's Corporation. During the fiscal year ended June 30, 1989, the State issued $177.2 million of COPs and retired $2.6 million. Principal and interest are covered by lease payments out of current revenues or appropriations from the fund responsible for utilization of the specific buildings.

The State has issued revenue bonds primarily to finance the construction of highways. They have also been issued for the construction of buildings and other facilities. The State's revenue bonds currently carry a Aa rating from Moody's Investors Service, Inc. and AA from Standard and Poor's Corporation. These are the best ratings available for revenue bonds. During the Fiscal year ended June 30, 1989, the State issued $233.1 million of revenue bonds and retired $47.8 million.

RISK MANAGEMENT

The State is self-insured for most risk exposures. However, it maintains co-insurance for certain risks in excess of certain amounts. These include airport liability, boiler and machinery coverage, nuclear liability and foreign corporation excess liability.

SIGNIFICANT ACTIVITIES NOT EVIDENT IN THE FINANCIAL SECTION

The State anticipates issuing COPs for future construction and purchase of major assets.

Several State agencies are developing new programs in the ongoing effort to improve operations. For example, the Arizona Health Care Cost Containment System (AHCCCS) is implementing a program to improve cash flows and the information available for management decisions. The Department of Economic Security (DES) recently entered into an agreement with the Federal Government. Their joint effort will improve the financial reporting for the numerous activities performed by DES.

The Legislature is evaluating the effect of current and future economic conditions on the State. Their goals are to stabilize the State's budget and to meet the expected growth of the State.

SIGNIFICANT STATE ECONOMIC EVENTS

The Arizona economy in recent years has experienced slow, steady growth similar to that of the U.S. economy. Generally, areas of the economy which are people-serving are doing relatively well compared to those which are goods-producing. Tourism, government, mining, retail, transportation and service industries have experienced strong growth; while utilities, high-tech and defense-related industries have experienced declining growth rates. However, in stark contrast to the tremendous growth in the mid-1980's, the construction and real estate industries have been in a recession in recent years. This recession has had a negative impact on the financial industry as well.

Arizona job creation and population growth during 1989 were approximately double the national rates. Unemployment was 5.2%; essentially the same as the national rate.

PROSPECTS FOR THE FUTURE

In the near future, the Arizona economy is not expected to change significantly. At one end of the spectrum, the service industry is expected to maintain its very strong growth rate; while at the other end the construction industry recession should continue.

However, in-migration is expected to accelerate again in upcoming years, causing activity in the various sectors of the economy to expand. Therefore, most sectors of the Arizona economy are expected to grow more rapidly than their national counterparts.

INDEPENDENT AUDIT

The Auditor General is appointed to a five-year term by the Joint Legislative Budget Committee with approval of the Legislature. The State Auditor General is responsible for the audit of all State agencies. State statute (ARS 41-1279.03) requires a biennial single audit by the State Auditor General. This audit is required in accordance with the Single Audit Act for 1984 (PL98-502) and the U.S. Office of Management and Budget Circular A-128, "Audits of State and Local Governments".

AWARDS

The Government Finance Officers Association of the United States and Canada established the Certificate of Achievement for Excellence in Financial Reporting Program to recognize governments that produce outstanding financial reports. In order to be awarded such a certificate, a governmental unit must publish an easily readable and efficiently organized CAFR, the contents of which must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year only.

It is a goal of the State to receive the certificate for the CAFR in the immediate future.

ACKNOWLEDGEMENTS

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each State agency, board, commission, and institution of higher education.

Gerard W. Tobin
Acting Director

Richard D. Beissel
State Finance Director/
Comptroller

Robert Rocha
State Accounting Administrator/
Deputy Comptroller

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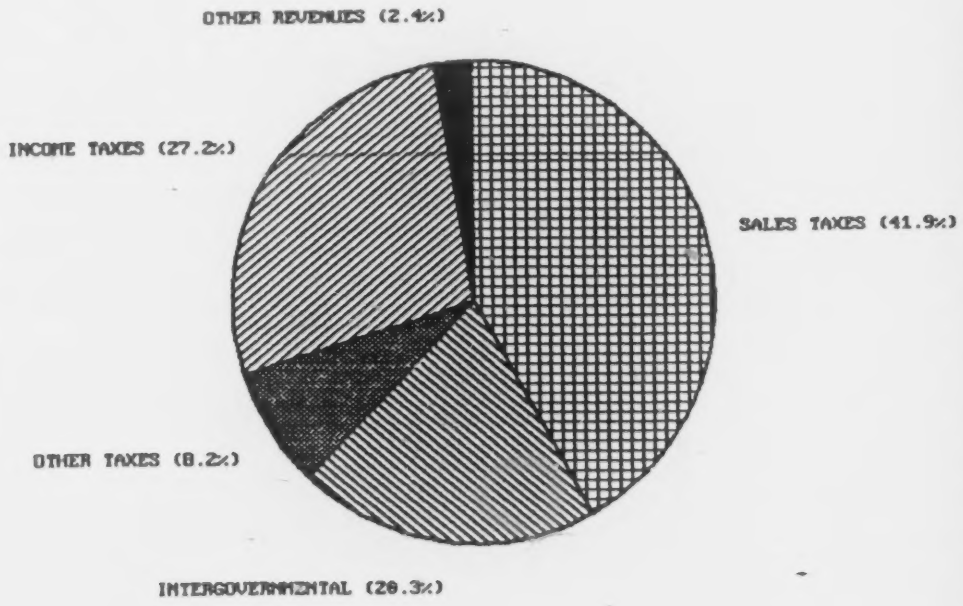
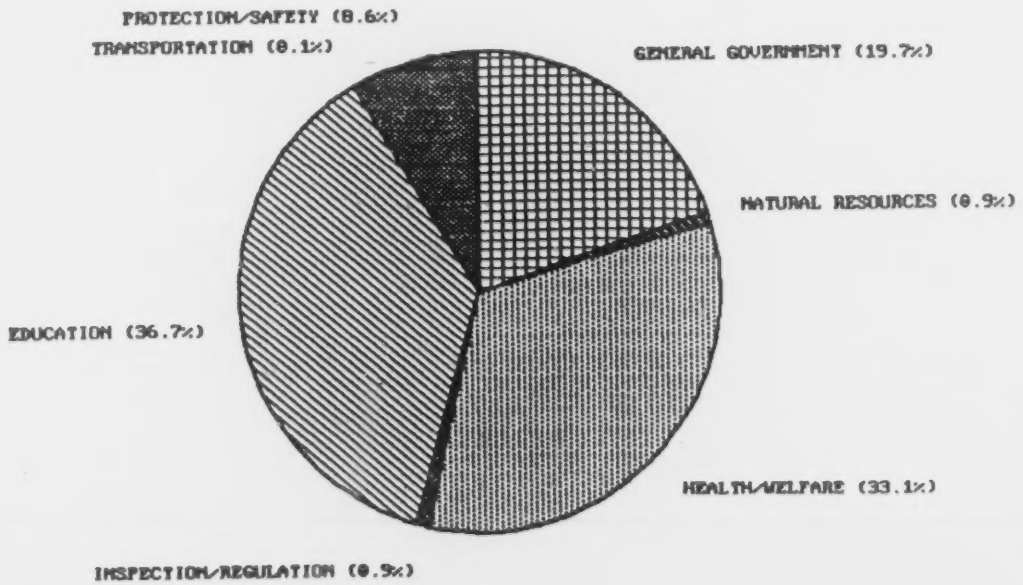
STATE OF ARIZONA

Graphic Presentation Of Revenues (by source) And Expenditures (by function)
General Fund
For The Fiscal Year Ended June 30, 1989

REVENUES BY SOURCE



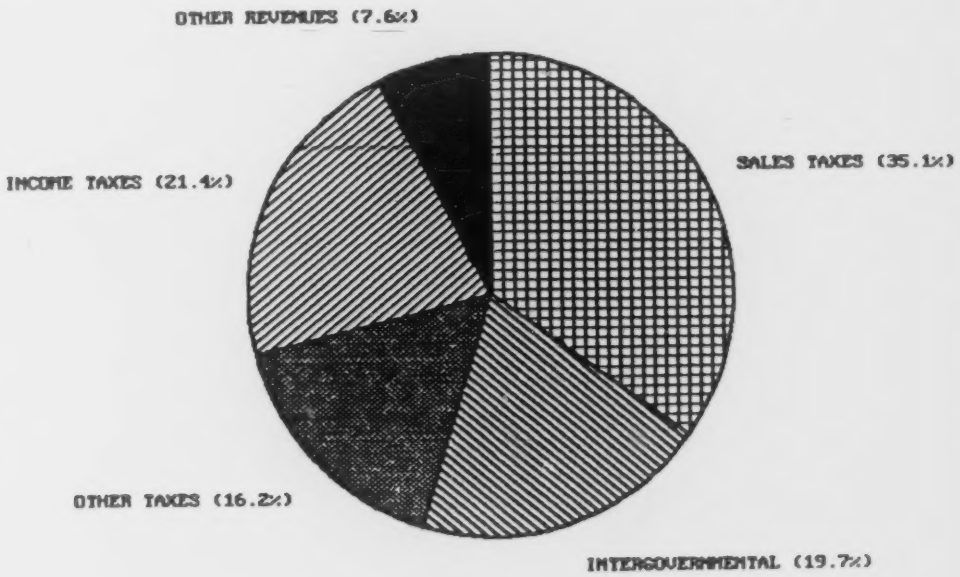
EXPENDITURES BY FUNCTION



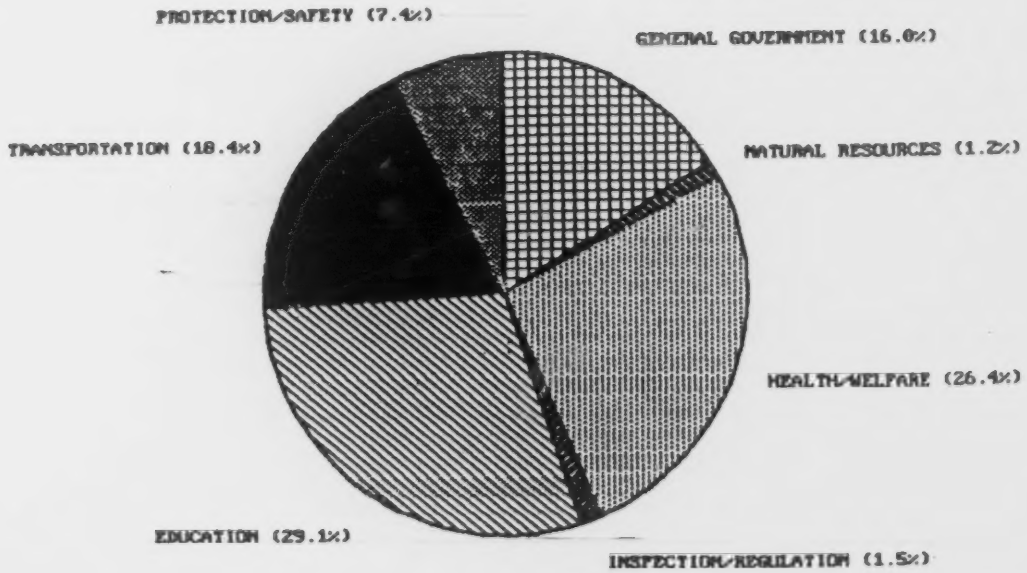
STATE OF ARIZONA

Graphic Presentation Of Revenues (by source) And Expenditures (by function) All Governmental Fund Types For The Fiscal Year Ended June 30, 1989

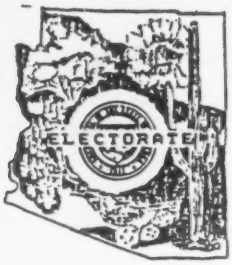
REVENUES BY SOURCE



EXPENDITURES BY FUNCTION



ARIZONA STATE GOVERNMENT ORGANIZATION



- JUDICIAL BRANCH
  - SUPREME COURT
    - COURT OF APPEALS
    - MUNICIPAL COURTS
    - SUPERIOR COURT
    - JUSTICE OF THE PEACE COURTS
- EXECUTIVE BRANCH
  - SECRETARY OF STATE*
  - ATTORNEY GENERAL*
  - STATE TREASURER*
  - GOVERNOR*
    - DEPARTMENT OF ADMINISTRATION
    - DEPARTMENT OF CORRECTIONS
    - DEPARTMENT OF ECONOMIC SECURITY
    - DEPARTMENT OF REVENUE
    - DEPARTMENT OF PUBLIC SAFETY
    - DEPARTMENT OF HEALTH SERVICES
    - DEPARTMENT OF TRANSPORTATION
    - AZ HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS)
    - ARIZONA STATE UNIVERSITY
    - NORTHERN ARIZONA UNIVERSITY
    - UNIVERSITY OF ARIZONA
    - ALL OTHER BOARDS COMMISSIONS AND AGENCIES
  - SUPERINTENDENT OF PUBLIC EDUCATION*
  - CORPORATION COMMISSION*
  - STATE MINE INSPECTOR*
- LEGISLATIVE BRANCH
  - STATE SENATE*
  - STATE HOUSE OF REPRESENTATIVES*
    - LEGISLATIVE COUNCIL
    - JOINT LEGISLATIVE BUDGET COMMITTEE
    - AUDITOR GENERAL
    - BOARD OF LIBRARY ARCHIVES & PUBLIC RECORDS

* ELECTED OFFICIALS

STATE OF ARIZONA
PRINCIPAL STATE OFFICIALS
as of June 30, 1989

Elected Officials

Rose Mofford, Governor

Senator Robert B. Usdane, President of the Senate

Representative Jane Dee Hull, Speaker of the House

Frank X. Gordon, Jr., Chief Justice

Jim Shumway, Secretary of State

Robert K. Corbin, Attorney General

Ray Rottas, State Treasurer

C. Diane Bishop, Superintendent of Public Education

Renz D. Jennings, Commissioner, Corporation Commission

Douglas K. Martin, State Mine Inspector

Appointed Officials

Executive Officials

Catherine R. Eden, Director
Department of Administration

Samuel A. Lewis, Director
Department of Corrections

Linda Moore Cannon, Director
Department of Economic Security

Paul Waddell, Director
Department of Revenue

Col. F. J. Ayars, Director
Department of Public Safety

Ted E. Williams, Director
Department of Health Services

Charles L. Miller, Director
Department of Transportation

Leonard J. Kirschner, M.D., Director
Arizona Health Care Cost Containment System (AHCCCS)

Legislative Officials

Don Jansen, Director
Legislative Council

Ted Ferris, Staff Director
Joint Legislative Budget Committee

Douglas R. Norton, Auditor General

Sharon G. Womack, Director
Board of Library Archives and Public Records

University Officials

Dr. Richard E. Peck, Interim President
Arizona State University

Dr. Eugene M. Hughes, President
Northern Arizona University

Dr. Henry Koffler, President
University of Arizona

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

INDEPENDENT AUDITORS' REPORT

The Honorable Fife Symington, Governor
State of Arizona

The Honorable Peter Rios, President
Arizona State Senate

The Honorable Jane Dee Hull, Speaker
Arizona House of Representatives

The Honorable Frank X. Gordon, Jr., Chief Justice
Arizona Supreme Court

We have audited the accompanying general purpose financial statements of the State of Arizona, as of and for the year ended June 30, 1989, or December 31, 1988, as listed in the table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Pension Trust Funds and State Deferred Compensation Plan, which statements comprise 79 percent of the total assets of the Fiduciary Funds. We also did not audit the financial statements of the Arizona Health Care Cost Containment System, the Arizona Department of Transportation, the State Compensation Fund, the University Medical Center, the Arizona Power Authority, the Lottery Commission, and the University of Arizona, which statements comprise 10 percent of the assets and 8 percent of the revenues and other financing sources of the General Fund; 79 percent of the assets and 87 percent of the revenues and other financing sources of the Special Revenue Funds; 100 percent of the assets and 94 percent of the revenues and other financing sources of the Debt Service Funds; 83 percent of the assets and 77 percent of the revenues and other financing sources of the Capital Projects Funds; 84 percent of the assets and 89 percent of the revenues and other financing sources of the Enterprise Funds; 45 percent of the assets and 21 percent of the revenues and other financing sources of the Internal Service Funds; 43 percent of the assets and 50 percent of the revenues and other additions of the University Funds; and 87 percent of the liabilities of the General Long-Term Debt Account Group. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the above-mentioned component units, is based solely on the reports of the other auditors.

2700 NORTH CENTRAL AVENUE • SUITE 700 • PHOENIX, ARIZONA 85004 • (602) 255-4385 • FAX (602) 255-1251

Except as discussed in the third and fourth paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

The records of the General Fixed Assets Account Group were incomplete as to cost. As a result of such incomplete records, we were unable to satisfy ourselves as to the stated cost of the assets included in the General Fixed Assets Account Group by appropriate audit tests or by other means.

The Department of Economic Security did not maintain adequate accounting records and supporting documentation relating to the expenditures recorded in its Accumulator Account nor, in our opinion, is the Department's system of internal accounting controls adequate to ensure the proper recording of such transactions, which comprise approximately 15 percent of total expenditures reported in the General Fund. Furthermore, it was impracticable to extend our auditing procedures sufficiently to determine the extent to which the financial statements of the General Fund may have been affected by such conditions.

As discussed in Note 1.D.2 to the general purpose financial statements, the State recognizes income tax revenues when the related income is earned by the taxpayer, regardless of the tax return filing and collection dates. Accordingly, income tax receivables are accrued before the taxpayer liability can be established because the taxpayer liability year does not coincide with the State's fiscal year. Specifically, the tax return filing or settlement date is not until the final quarter of the State's following fiscal year. Generally accepted accounting principles require that governmental fund revenues be recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Also, as discussed in Note 1.D.2 to the general purpose financial statements, the State recognizes property tax revenues over the period in which the property is owned, regardless of whether the property tax levy is made to finance the budget of a particular period, or when cash is received. Generally accepted accounting principles require that revenue produced from any property tax assessment be recognized in the fiscal period for which it was levied, provided the available criteria are met. Available means then due, or past due and receivable within the

current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For property tax revenues, such time thereafter shall not exceed 60 days unless justified by unusual circumstances.

Because of the departures from generally accepted accounting principles identified in the fifth and sixth paragraphs, as of June 30, 1989, tax receivables have been overstated by $354.1 million and tax refund liabilities, due to local governments, and other current liabilities have been overstated by $145.8 million, $66.3 million, and $8.9 million, respectively, resulting in a net understatement of the accumulated deficit in the fund balance of the General Fund of $133.1 million.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the stated cost of the assets included in the General Fixed Assets Account Group and certain expenditures of the Department of Economic Security as discussed in the third and fourth paragraphs, and except for the effects of the overstatement of tax receivables and various related liabilities as described in the fifth, sixth, and seventh paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of Arizona as of June 30, 1989, or December 31, 1988, and the results of its operations, the changes in fund balances of its university funds, and the cash flows of its proprietary funds and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Arizona taken as a whole. The combining and individual fund and account group financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, except for the effects of the matters discussed in the third, fourth, fifth, sixth, and seventh paragraphs, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections as listed in the table of contents and, accordingly, we express no opinion on it.

Douglas R. Norton
Auditor General

May 31, 1991

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF ARIZONA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1989
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS AND OTHER DEBITS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Current Assets:				
Cash and investments (Note 2)	$ 104,823	$ 402,726	$ 14,487	$ 235,333
Cash held by trustee (Note 2)	-	-	-	-
Receivables, net of allowances:				
Taxes (Note 3)	678,654	60,817	-	2,072
Interest	299	4,002	499	3,858
Other (Note 3)	10,210	4,677	-	1,319
Due from U.S. Government (Note 4)	36,511	23,820	-	-
Due from local governments (Note 4)	5,938	41	-	-
Due from other Funds (Note 5)	25,383	60,785	75	-
Inventories, at cost	5,622	2,008	-	-
Other	2,708	40	-	-
Total Current Assets	870,148	558,916	15,061	242,582
Long-term Assets:				
Investments (Note 2)	-	-	-	-
Investments held by trustee (Note 2)	-	-	-	-
Receivables (Note 3)	1,757	-	-	-
Other	-	-	-	-
Fixed assets (Note 6):				
Property and equipment	-	-	-	-
Less: accumulated depreciation	-	-	-	-
Total Long-term Assets	1,757	-	-	-
Total Assets	871,905	558,916	15,061	242,582
Other Debits:				
Amount available for retirement of long-term debt	-	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-	-
Total Assets and Other Debits	$ 871,905	$ 558,916	$ 15,061	$ 242,582

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)
ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	UNIVERSITY	
$ 65,601	$ 30,237	$ 3,882,768	$ -	$ -	$ 157,188	$ 4,893,163
5,031	-	-	-	-		5,031
4,941	-	30,729	-	-	-	777,213
16,822	686	85,856	-	-	-	112,022
61,480	479	152,295	-	-	96,374	326,834
-	-	-	-	-	-	60,331
-	103	677	-	-	-	6,759
1,298	7,693	1,511	-	-	19,822	116,567
8,020	3,095	493	-	-	11,201	30,439
1,615	1,628	213	-	-	-	6,204
164,808	43,921	4,154,542	-	-	284,585	6,334,563
775,860	-	6,831,506	-	-	281,715	7,889,081
57,146	-	-	-	-	-	57,146
-	-	34,587	-	-	-	36,344
26,987	-	-	-	-	-	26,987
183,933	87,382	5,170	4,347,446	-	1,582,994	6,206,925
(46,052)	(35,524)	(658)	(1,042,088)	-	-	(1,124,322)
997,874	51,858	6,870,605	3,305,358	-	1,864,709	13,092,161
1,162,682	95,779	11,025,147	3,305,358	-	2,149,294	19,426,724
-	-	-	-	15,061	-	15,061
-	-	-	-	958,952	-	958,952
$ 1,162,682	$ 95,779	$ 11,025,147	$ 3,305,358	$ 974,013	$ 2,149,294	$ 20,400,737

STATE OF ARIZONA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1989
(Expressed in Thousands)

LIABILITIES AND FUND EQUITY	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Current Liabilities:				
Accounts payable	$ 58,334	$ 75,009	$ -	$ 21,057
Accrued expenses	24,222	3,205	-	37
Tax refunds payable (Note 3)	165,214	-	-	-
Due to U.S. Government	18	-	-	-
Due to local governments (Note 4)	508,316	58,095	-	-
Due to other Funds (Note 5)	11,638	5,296	-	59,943
Deferred revenue (Note 3)	62,287	357	-	-
Current portion of insurance losses	91,651	-	-	-
Current portion of long-term debt	-	-	-	-
Other	34,178	6,363	-	2,143
Total Current Liabilities	955,858	148,325	-	83,180
Long-term Liabilities:				
Accrued compensated absences (Note 7)	-	-	-	-
Accrued insurance losses	-	-	-	-
Liabilities to plan investors	-	-	-	-
Long-term debt:				
Revenue bonds (Note 10)	-	-	-	-
Certificates of participation (Note 11)	-	-	-	-
Leases and installment purchases (Note 9)	-	-	-	-
Other	-	-	-	-
Total Long-term Liabilities	-	-	-	-
Total Liabilities	955,858	148,325	-	83,180
Fund Equity:				
Investment in fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (Note 12)	-	-	-	-
Fund balances (Note 12)	(83,953)	410,591	15,061	159,402
Total Fund Equity	(83,953)	410,591	15,061	159,402
Total Liabilities and Fund Equity	$ 871,905	$ 558,916	$ 15,061	$ 242,582

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS			TOTAL (MEMORANDUM ONLY)
ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	UNIVERSITY	
$ 21,409	$ 7,584	$ 4,828	$ -	$ -	$ 44,271	$ 232,492
4,318	835	631,813	-	-	9,592	674,022
-	-	-	-	-	-	165,214
-	-	-	-	-	-	18
-	-	794,857	-	-	-	1,361,268
7,832	332	10,256	-	-	21,270	116,567
30,881	608	9,745	-	-	32,821	136,699
223,453	-	-	-	-	-	315,104
1,427	1,825	-	-	-	12,163	15,415
46,862	352	444,309	-	-	13,874	548,081
336,182	11,536	1,895,808	-	-	133,991	3,564,880
588	524	18	-	66,965	-	68,095
463,653	155,639	-	-	-	-	619,292
-	-	90,232	-	-	-	90,232
118,650	-	-	-	830,608	429,157	1,378,415
17,000	-	-	-	66,623	62,760	146,383
869	9,706	-	-	9,817	44,409	64,801
363	-	-	-	-	-	363
601,123	165,869	90,250	-	974,013	536,326	2,367,581
937,305	177,405	1,986,058	-	974,013	670,317	5,932,461
-	-	-	3,305,358	-	1,196,179	4,501,537
5,869	13,119	-	-	-	-	18,988
219,508	(94,745)	-	-	-	-	124,763
-	-	9,039,089	-	-	282,798	9,822,988
225,377	(81,626)	9,039,089	3,305,358	-	1,478,977	14,468,276
$ 1,162,682	$ 95,779	$ 11,025,147	$ 3,305,358	$ 974,013	$ 2,149,294	$ 20,400,737

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTAL
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	(MEMORANDUM ONLY)
REVENUES:						
Taxes:						
Sales	$ 1,761,829	$ 67,027	$ 50,812	$ -	$ 1	$ 1,879,669
Income	1,146,342	262	-	-	23	1,146,627
Motor vehicle and fuel	69,585	454,681	-	2,297	-	526,563
Property	88,626	8,828	-	88	-	97,542
Unemployment	-	-	-	-	120,747	120,747
Other	184,760	38,116	-	22,275	-	245,151
Intergovernmental	855,965	199,604	-	1	6,815	1,062,385
Licenses, fees and permits	32,167	193,807	-	2,237	1,796	230,007
Earnings on investments	31,530	25,488	5,740	22,296	43,879	128,933
Sales and charges for services	7,884	6,353	-	-	202	14,439
Fines, forfeitures and penalties	5,119	21,005	-	-	7,484	33,608
Other	23,148	31,626	-	809	4,175	59,758
Total Revenues	4,206,955	1,046,797	56,552	50,003	185,122	5,545,429
EXPENDITURES:						
Current:						
General government	758,324	17,719	-	-	4,456	780,499
Health and welfare	1,270,505	14,290	-	-	140,282	1,425,077
Inspection and regulation	34,239	37,501	-	-	2,273	74,013
Education	1,411,343	1,696	-	-	301	1,413,340
Protection and safety	332,319	27,440	-	-	1,188	360,947
Transportation	3,151	888,312	25	-	1	891,489
Natural resources	33,531	26,715	-	-	556	60,802
Capital outlay	-	-	-	284,313	-	284,313
Debt service:						
Principal	-	-	41,770	-	-	41,770
Interest and other fiscal charges	-	-	63,061	-	-	63,061
Total Expenditures	3,843,412	1,013,673	104,856	284,313	149,057	5,395,311
Revenues Over (Under) Expenditures	363,543	33,124	(48,304)	(234,310)	36,065	150,118
OTHER FINANCING SOURCES (USES):						
Operating transfers in	100,659	35,726	54,574	617	1,018	192,594
Operating transfers out	(517,692)	(50,594)	(15,911)	(4,673)	(1,031)	(589,901)
Other financing sources (uses)	(5,939)	857	-	136,676	245	131,839
Total Other Financing Sources (Uses)	(422,972)	(14,011)	38,663	132,620	232	(265,468)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(59,429)	19,113	(9,641)	(101,690)	36,297	(115,350)
Fund Balances, July 1, 1988	(24,524)	391,478	24,702	261,092	542,606	1,195,354
Fund Balances, June 30, 1989	$ (83,953)	$ 410,591	$ 15,061	$ 159,402	$ 578,903	$ 1,080,004

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
APPROPRIATION (BUDGET) TO ACTUAL - BUDGETARY BASIS
GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Appropriation (Budget)	Actual	Variance Favorable (Unfavorable)	Appropriation (Budget)	Actual	Variance Favorable (Unfavorable)
REVENUES:	$ 3,094,514	$ 3,084,545	$ (9,969)	$ -	$ 612,367	$ 612,367
LESS - EXPENDITURES:						
General Operations						
General government	181,266	171,863	9,403	109	70	39
Health and welfare	248,989	235,883	13,106	5,380	2,652	2,728
Inspection and regulation	38,183	36,499	1,684	27,207	24,595	2,612
Education	1,245,893	1,196,792	49,101	-	-	-
Protection and safety	252,001	246,253	5,748	8,269	5,544	2,725
Transportation	83	50	33	2,533,504	593,769	1,939,735
Natural resources	24,998	24,339	659	15,603	14,024	1,579
Capital outlay	42,649	21,598	21,051	-	-	-
Total General Operations	2,034,062	1,933,277	100,785	2,590,072	640,654	1,949,418
Other						
General government	16,122	15,374	748	-	-	-
Health and welfare	490,619	314,764	175,855	-	-	-
Protection and safety	537	595	(58)	-	-	-
Capital outlay	6,236	3,104	3,132	-	-	-
Total - Other	513,514	333,837	179,677	-	-	-
Total Expenditures	2,547,576	2,267,114	280,462	2,590,072	640,654	1,949,418
Revenues Over (Under) Expenditures	546,938	817,431	270,493	(2,590,072)	(28,287)	2,561,785
Transfers and Other Financing Sources (Uses)	(910,095)	(876,497)	33,598	(63,964)	19,164	83,128
Reclassification of Budgetary Fund Equities - General Operations	-	7,080	7,080	-	-	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (363,157)	$ (51,986)	$ 311,171	$ (2,654,036)	$ (9,123)	$ 2,644,913

The Notes to the Financial Statements are an integral part of this statement.

CAPITAL PROJECTS FUNDS		
Appropriation (Budget)	Actual	Variance Favorable (Unfavorable)
$ -	$ 29,071	$ 29,071
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
41,272	9,272	32,000
41,272	9,272	32,000
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
41,272	9,272	32,000
(41,272)	19,799	61,071
(796)	670	1,466
-	-	-
$ (42,068)	$ 20,469	$ 62,537

STATE OF ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTAL (MEMORANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	PENSION TRUST	
OPERATING REVENUES:					
Sales and charges for services:					
Lottery	$ 252,007	$ -	$ -	$ -	$ 252,007
Other (Note 3)	337,034	100,427	26,730	-	464,191
Taxes	26,136	-	-	-	26,136
Earnings on investments	-	-	42,748	796,536	839,284
Retirement contributions	-	-	-	383,230	383,230
Intergovernmental	-	-	154	-	154
Other	22,237	3,212	2	43	25,494
Total Operating Revenues	637,414	103,639	69,634	1,179,809	1,990,496
OPERATING EXPENSES:					
Cost of sales and benefits	423,376	21,615	-	-	444,991
Retirement benefits (Note 8)	-	-	-	361,878	361,878
Personal services	77,443	18,543	479	-	96,465
Contractual services	20,896	8,246	212	-	29,354
Aid to local governments	30,654	303	53,216	-	84,173
Depreciation and amortization	10,902	9,052	383	58	20,395
Insurance	3,992	10,975	60	-	15,027
Other	36,818	4,483	580	1,237	43,118
Total Operating Expenses	604,081	73,217	54,930	363,173	1,095,401
Operating Income	33,333	30,422	14,704	816,636	895,095
NON-OPERATING REVENUES (EXPENSES):					
Interest income	84,901	3,128	-	-	88,029
Interest expense	(8,152)	(2)	-	-	(8,154)
Other	588	(578)	33,143	-	33,153
Total Non-operating Revenues	77,337	2,548	33,143	-	113,028
Income (Loss) Before Other Financing Sources (Uses)	110,670	32,970	47,847	816,636	1,008,123
OTHER FINANCING SOURCES (USES):					
Operating transfers in	3,639	-	19	2,346	6,004
Operating transfers out	(77,236)	(107)	(1)	(2,346)	(79,690)
Other financing sources (uses)	-	(286)	-	(400)	(686)
Net Income	37,073	32,577	47,865	816,236	933,751
Retained Earnings/Fund Balances, July 1, 1988	182,435	(127,322)	414,391	7,181,694	7,651,198
Retained Earnings/Fund Balances, June 30, 1989 (Note 12)	$ 219,508	$ (94,745)	$ 462,256	$ 7,997,930	$ 8,584,949

The Notes to the Financial Statements are an integral part of this statement.

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STATE OF ARIZONA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(EXCEPT STATE COMPENSATION, FOR THE YEAR ENDED DECEMBER 31, 1988)
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	TOTAL
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	(MEMORANDUM ONLY)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income	$ 33,333	$ 30,422	$ 14,704	$ 78,459
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation	10,805	9,052	383	20,240
Amortization of investment premium	(14,558)	-	-	(14,558)
Net loss on sale of investment	1,259	-	-	1,259
Dividends to policyholders	(28,256)	-	-	(28,256)
Gain on retirement of revenue bonds	9	-	-	9
Amortization of bond issuance costs	96	-	-	96
Total Adjustments	(30,645)	9,052	383	(21,210)
Changes in assets and liabilities:				
(Increase) decrease in receivables, net of allowances	(1,593)	347	(10,501)	(11,747)
Increase in other long-term assets	(8,702)	-	-	(8,702)
(Increase) decrease in due from other Funds	(605)	846	-	241
(Increase) decrease in inventories, at cost	714	(477)	-	237
Increase in other current assets	(1,054)	(485)	-	(1,539)
Increase (decrease) in accounts payable	1,313	3,400	(85)	4,628
Increase (decrease) in accrued expenses	(723)	32	14	(677)
Increase (decrease) in due to other Funds	(3,389)	236	6,629	3,476
Increase (decrease) in deferred revenue	2,997	(258)	1,683	4,422
Increase in other current liabilities	1,746	113	964	2,823
Increase in compensated absences	47	207	12	266
Increase (decrease) in long-term insurance losses	90,992	(18,848)	-	72,144
Increase in other long-term liabilities	188	-	-	188
Net Changes in Assets and Liabilities	81,931	(14,887)	(1,284)	65,760
Net Cash Provided by Operating Activities	84,619	24,587	13,803	123,009
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Interest expense	(7,320)	(2)	-	(7,322)
Other non-operating revenues	571	-	28,054	28,625
Operating transfers in	3,639	-	19	3,658
Operating transfers out	(77,236)	(107)	(1)	(77,344)
Residual equity transfer	(10,254)	(14,487)	-	(24,741)
Net repayments under line-of-credit agreements	(778)	-	-	(778)
Net Cash Provided (Used) by Non-capital Financing Activities	$ (91,378)	$ (14,596)	$ 28,072	$ (77,902)

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(EXCEPT STATE COMPENSATION, FOR THE YEAR ENDED DECEMBER 31, 1988)
(CONTINUED)
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	TOTAL
	ENTERPRISE	INTERNAL SERVICE	NON-EXPENDABLE TRUST	(MEMORANDUM ONLY)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	$ (13,192)	$ (6,026)	$ (1,873)	$ (21,091)
Retirement of revenue bonds principal	(170)	-	-	(170)
Interest payments under certificate of participation or bonds	(832)	-	-	(832)
Principal payments under leases and installment purchases	(1,012)	(1,536)	-	(2,548)
Borrowings under leases and installment purchases	1,215	145	-	1,360
Proceeds from other long-term debt	8	-	-	8
Net Cash Used by Capital and Related Financing Activities	(13,983)	(7,417)	(1,873)	(23,273)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	75,488	-	511,313	586,801
Purchase of investments	(142,168)	-	(550,142)	(692,310)
Interest and dividends on investments	85,638	3,128	-	88,766
Net Cash Provided (Used) by Investing Activities	18,958	3,128	(38,829)	(16,743)
Net Increase (Decrease) in Cash And Short-term Investments	(1,784)	5,702	1,173	5,091
Cash and Short-term Investments, July 1, 1988	72,416	24,535	61,070	158,021
Cash and Short-term Investments, June 30, 1989	$ 70,632	$ 30,237	$ 62,243	$ 163,112

NON-CASH TRANSACTIONS

Internal Service Fund non-cash transactions for fiscal year 1988-89 produced the following results.

Asset Acquired	Liability Incurred	Amount
Statewide Telephone System	Installment Purchase Contract	$7,334
Statewide Telephone System	Long-term Borrowing	1,038
Machinery and Equipment	Installment Purchase Contract	1,897
Machinery and Equipment	Short-term Borrowing	252

The Industrial Commission at June 30, 1989, had not transferred $1,298 from a Special Revenue Fund to an Enterprise Fund as required by Title 23, Chapter 6 of the Arizona Revised Statutes.

Machinery and equipment of $976 purchased by the Governmental Funds was turned over during the fiscal year to the Internal Service Funds. The Internal Service Funds recorded the $976 as contributed capital.

Internal Service Funds "Loss on disposal of fixed assets", resulted in the recording of $870 of non-operating expenses.

The Notes to the Financial Statements are an integral part of this statement.

STATE OF ARIZONA
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	CURRENT OPERATING FUNDS				
	UNRESTRICTED				
	GENERAL OPERATING FUNDS	DESIGNATED FUNDS	AUXILIARY ENTERPRISES FUNDS	RESTRICTED FUNDS	TOTAL CURRENT OPERATING FUNDS
REVENUES AND OTHER ADDITIONS:					
Unrestricted current revenues	$ 134,809	$ 128,357	$ 134,638	$ -	$ 397,804
Governmental grants and contracts	-	-	-	165,029	165,029
Private gifts, grants and contracts	-	-	-	57,094	57,094
Investment and endowment income	-	-	-	2,852	2,852
Additions to plant facilities	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Other additions	-	-	-	-	-
Total Revenues and Other Additions	134,809	128,357	134,638	224,975	622,779
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	599,037	80,154	-	189,368	868,559
Auxiliary enterprises expenditures	-	-	117,743	-	117,743
Indirect costs recovered	-	-	-	33,760	33,760
Cancellation of loans and provision for bad debts	-	-	-	-	-
Administrative and collection costs	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Disposal of plant facilities	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Other deductions	-	-	-	173	173
Total Expenditures and Other Deductions	599,037	80,154	117,743	223,301	1,020,235
TRANSFERS AMONG FUNDS ADDITIONS (DELETIONS):					
State general fund appropriations	465,806	-	-	-	465,806
Mandatory loan fund and matching grants	-	(97)	-	69	(28)
Mandatory debt indenture requirements	(1,798)	(22,329)	(9,866)	-	(33,993)
Other mandatory	-	(3,408)	(15)	145	(3,278)
Voluntary, net	(114)	(18,117)	(4,571)	(3,689)	(26,491)
Total Transfers Among Funds	463,894	(43,951)	(14,452)	(3,475)	402,016
Net Increase (Decrease) for the Year	(334)	4,252	2,443	(1,801)	4,560
Fund Balances, July 1, 1988	6,880	33,559	19,987	19,650	80,076
Fund Balances, June 30, 1989	$ 6,546	$ 37,811	$ 22,430	$ 17,849	$ 84,636

The Notes to the Financial Statements are an integral part of this statement.

NON-OPERATING FUNDS						
		PLANT FUNDS				
STUDENT LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	UNEXPENDED PLANT FUNDS	DEBT SERVICE FUNDS	INVESTMENT IN PLANT	TOTAL PLANT FUNDS	TOTAL ALL FUNDS
$ -	$ -	$ -	$ -	$ -	$ -	$ 397,804
500	-	1,127	48	-	1,175	166,704
141	4,239	1,813	-	9,826	11,639	73,113
453	1,108	7,436	11,173	-	18,609	23,022
-	-	-	-	194,468	194,468	194,468
-	-	-	-	13,170	13,170	13,170
582	-	528	125	-	653	1,235
1,676	5,347	10,904	11,346	217,464	239,714	869,516
-	-	-	-	-	-	868,559
-	-	-	-	-	-	117,743
44	-	-	-	-	-	33,804
1,209	-	-	-	-	-	1,209
253	-	-	17	-	17	270
-	-	127,434	-	-	127,434	127,434
-	-	-	32,722	-	32,722	32,722
-	-	-	-	21,585	21,585	21,585
-	-	-	13,170	-	13,170	13,170
94	-	3,307	117	-	3,424	3,691
1,600	-	130,741	46,026	21,585	198,352	1,220,187
-	-	5,187	-	-	5,187	470,993
28	-	-	-	-	-	-
-	(1,574)	(975)	36,542	-	35,567	-
28	(12)	(815)	4,077	-	3,262	-
(211)	6,896	83,616	2,419	(66,229)	19,806	-
(155)	5,310	87,013	43,038	(66,229)	63,822	470,993
(79)	10,657	(32,824)	8,358	129,650	105,184	120,322
34,548	58,365	85,200	33,938	1,066,528	1,185,666	1,358,655
$ 34,469	$ 69,022	$ 52,376	$ 42,296	$ 1,196,178	$ 1,290,850	$ 1,478,977

STATE OF ARIZONA
COMBINED STATEMENT OF CURRENT OPERATING FUNDS
REVENUES, EXPENDITURES AND OTHER CHANGES
UNIVERSITY FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	UNRESTRICTED FUNDS					
	GENERAL OPERATING FUNDS	DESIGNATED FUNDS	AUXILIARY ENTERPRISES FUNDS	TOTAL UNRESTRICTED FUNDS	RESTRICTED FUNDS	TOTAL CURRENT OPERATING FUNDS
REVENUES:						
Tuition and fees	$ 127,297	$ 61,104	$ 5,628	$ 194,029	$ -	$ 194,029
Governmental grants and contracts	3,176	29,358	79	32,613	137,063	169,676
Private gifts, grants and contracts	-	9,812	2,384	12,196	51,867	64,063
Investment and endowment income	1,600	10,229	438	12,267	374	12,641
Sales and services of auxiliary enterprises	-	-	123,841	123,841	-	123,841
Internal services	-	-	1,138	1,138	-	1,138
Other	2,736	17,854	1,130	21,720	64	21,784
Total Revenues	134,809	128,357	134,638	397,804	189,368	587,172
EXPENDITURES:						
Educational and general:						
Instruction	274,476	25,429	-	299,905	18,560	318,465
Research	47,079	6,217	-	53,296	109,245	162,541
Public service	13,963	2,855	-	16,818	21,232	38,050
Academic support	100,355	6,684	-	107,039	1,263	108,302
Student services	28,821	7,329	-	36,150	1,219	37,369
Institutional support	47,638	26,457	-	74,095	370	74,465
Operation and maintenance of plant	64,151	2,238	-	66,389	4	66,393
Scholarships and fellowships	22,554	2,945	-	25,499	37,475	62,974
Total Education and General Expenditures	599,037	80,154	-	679,191	189,368	868,559
Auxiliary enterprises	-	-	117,743	117,743	-	117,743
Total Expenditures	599,037	80,154	117,743	796,934	189,368	986,302
MANDATORY TRANSFERS:						
Debt indenture requirements	(1,798)	(22,329)	(9,866)	(33,993)	-	(33,993)
Loan fund and grant matching	-	(97)	-	(97)	69	(28)
Other mandatory	-	(3,408)	(15)	(3,423)	145	(3,278)
Total Mandatory Transfers	(1,798)	(25,834)	(9,881)	(37,513)	214	(37,299)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):						
Appropriation from State General Fund	465,806	-	-	465,806	-	465,806
Restricted receipts over transfers to revenues	-	-	-	-	1,847	1,847
Voluntary transfers, net	(114)	(18,117)	(4,571)	(22,802)	(3,689)	(26,491)
Other	-	-	-	-	(173)	(173)
Total Other Transfers and Additions (Deductions)	465,692	(18,117)	(4,571)	443,004	(2,015)	440,989
Net Increase (Decrease) in Fund Balances	$ (334)	$ 4,252	$ 2,443	$ 6,361	$ (1,801)	$ 4,560

The Notes to the Financial Statements are an integral part of this statement.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the State of Arizona have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units.

The measurement focus of the financial statements for Governmental, Expendable Trust and Agency Funds is the flow of financial resources, measured by the modified accrual basis of accounting. The measurement focus of the financial statements for Proprietary, Non-Expendable Trust, Pension Trust and University Funds is the flow of economic resources, measured by the accrual basis of accounting.

The State classifies assets and liabilities as current or long-term on the balance sheet. Liabilities expected to be paid within the next 12 months, except for the General Long-Term Debt Account Group, along with the assets available to meet those liabilities, are classified as current. Other assets and liabilities are long-term.

Amounts in the "Total-Memorandum Only" columns in the accompanying financial statements represent a summation of the combined financial statement line items. These are presented for analytical purposes only. Consequently, amounts shown in the "Total-Memorandum Only" columns are not comparable to a consolidation, and they do not represent the total resources available, total liabilities and fund balances or total revenues and expenditures/expenses of the State.

All financial statement information of the reporting entity is for the fiscal year-ended June 30, 1989 except for the State Compensation Fund. Its information is for the calendar year-ended December 31, 1988.

B. FINANCIAL REPORTING ENTITY

The accompanying financial statements include financial transactions of all funds, account groups, elected offices, agencies, boards, commissions and universities over which the State's judicial, executive or legislative branches exercise primary oversight responsibility. Oversight responsibility includes selection of an entity's governing authority and ultimate accountability for fiscal matters.

The State reporting entity includes the three State universities (University of Arizona, Arizona State University, and Northern Arizona University), the University Medical Center Corporation, the Arizona Power Authority, and the four State retirement systems.

NOTE 1. (CONTINUED)

The State reporting entity does not include counties, municipalities, school districts, community colleges, the Central Arizona Water Conservation District or other political subdivisions of the State over which the State exercises little, if any, oversight responsibility.

C. FUND STRUCTURE

The State uses approximately 500 accounting funds. Each accounting fund is a separate accounting entity with its own self-balancing set of accounts that represent its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual accounting funds depending upon the purposes for which the State collects revenues or expends resources, and the means the State uses to control spending activities. For the purpose of preparing financial statements, the accounting funds have been combined by fund type. Account groups are used to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The four major fund types and the two account groups are described below.

1. Governmental Fund Types

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds account for financial resources for acquiring or constructing major capital facilities (other than those financed by Proprietary, Non-Expendable Trust, Pension Trust, or University Funds).

2. Proprietary Fund Types

Enterprise Funds account for operations (a) financed and operated in a manner similar to private business enterprises, where the State intends that the cost of providing goods or services to the general public be financed or recovered primarily through service charges, or (b) where the State decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 1. (CONTINUED)

Internal Service Funds account for financing of goods and services provided by one State department or agency to other State departments or agencies on a cost-reimbursement basis.

3. Fiduciary Fund Types

Expendable Trust Funds account for assets held by the State in a trustee capacity, where principal may be expended in the course of the funds' designated operations.

Non-Expendable Trust Funds account for assets held by the State in a trustee capacity, where the State must preserve the principal intact, and may expend only income derived from the principal for the funds' designated operations.

Pension Trust Funds account for transactions of the four public employee retirement systems for which the State acts as trustee.

Agency Funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, where the State acts as an agent for distribution to other governmental units or organizations.

4. University Fund Type

The University Funds account for the transactions of the State's three universities. The University Funds combine for State reporting purposes the balances of each university's separate financial statements.

The University Funds include:

- Current Operating Funds which account for unrestricted resources over which the governing board retain full control in achieving the institutions' purposes and restricted resources which may be utilized only in accordance with externally restricted purposes.
- Loan funds account for loans made to assist students in financing their education.
- Endowment funds account for private gifts which specify income purpose and principal protection.
- Agency funds account for assets which the university acts in a custodial manner.
- Plant Funds which account for institutional property investment, acquisition, renewal, replacement and debt service.

NOTE 1. (CONTINUED)

5. General Fixed Assets Account Group

Fixed assets used in Governmental and Expendable Trust Fund operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the individual Funds. Fixed assets related to Proprietary, Non-Expendable Trust, Pension Trust, and the University Funds are accounted for in those funds.

6. General Long-Term Debt Account Group

The General Long-Term Debt Account Group reflects long-term liabilities expected to be retired with Governmental and Expendable Trust Fund resources. Acquisition liabilities related to Proprietary, Non-Expendable Trust, Pension Trust, and University Funds are accounted for in those Funds.

D. BASIS OF ACCOUNTING

1. Overview

The financial statements present the Governmental, Expendable Trust and Agency Funds on the modified accrual basis of accounting. The State recognizes revenue when it becomes entitled to eventual receipt of the revenue, provided the State can measure the amount and establish its collectibility. Recorded revenue will be collected in time to pay the State's liabilities recorded at fiscal year end. Expenditures are recognized when the Fund incurs the related liabilities.

The financial statements of the Proprietary, Non-Expendable and Pension Trust Funds are presented on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The financial statements of the University Funds use the accrual basis of accounting in accordance with the National Association of College and University Business Officers (NACUBO).

2. Revenue Recognition - Governmental Fund Types

The State recognizes tax revenues and related receivables when the taxpayer incurs the corresponding liability, provided the State can reasonably estimate the amount of revenue to which it is entitled and can reasonably establish its collectibility, i.e., earned and collected or expected to be collected within the next 12 months. Otherwise, the State defers recognizing revenue until cash is received.

The State recognizes sales, luxury and motor fuel taxes when vendors, acting as collection intermediaries for the State, collect them. The State recognizes income taxes when the taxpayer earns the income subject to tax. The State recognizes property and motor vehicle taxes when the taxpayer owns the property or vehicle subject to tax during the State's

NOTE 1. (CONTINUED)

fiscal year. The State recognizes insurance premium taxes when the insurer has in force policies on which premiums are taxable. The receivables, not expected to be collected within the next 12 months are recorded as deferred revenues.

The State estimates the amount of taxes that will ultimately be uncollectible and excludes these from revenues. Anticipated tax refunds are estimated based upon previous experience, and such refunds are recorded as a liability and a reduction in related revenue.

Federal grants and reimbursements are recorded as intergovernmental receivables and revenues when the State incurs the related expenditures or expenses, provided the State has complied with the terms of the grant award. Revenues from Federal entitlement awards are recorded as intergovernmental receivables and revenues when entitlement occurs.

Revenue from non-refundable licenses, permits and similar fees is recorded when payment is made. Revenue from refundable licenses, permits and similar fees is recorded ratably over the period covered by the payment. Other revenues are recorded when earned, or when the State becomes entitled to the revenue and can establish its collectibility; otherwise, the State defers recognition of revenue until cash is received.

3. Expenditure Recognition - Governmental Fund Types

The State recognizes expenditures and related liabilities in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months as a result of receiving property, goods or services, or when the beneficiary of a State program becomes entitled to receive benefits. Exceptions to this rule are:

- The State does not recognize a liability or the related expenditure for expected future welfare, health and similar benefits if the beneficiary is entitled to benefits solely because of a current condition.

- The State recognizes interest in the Debt Service Funds to the extent it becomes payable during the current fiscal year.

- The State recognizes compensated absences in the period they are paid. The amounts earned and to be paid in the future are recorded in the General Long-Term Debt Account Group.

- The State recognizes a liability for urban revenue sharing which represents the local governments' share of State income taxes. This share is disbursed to the local governments monthly, based on collections for the same month 2 years prior.

The portion of the liabilities which are expected to be paid beyond 12 months is recorded in the General Long-Term Debt Account Group.

NOTE 1. (CONTINUED)

4. Expenditure Classification - Governmental Function Types

General Government agencies provide general government services to other State agencies or to the general public.

Health and Welfare agencies provide health services and welfare services to the general public.

Inspection and Regulation agencies provide inspection and regulatory services for the general public.

Education agencies provide education services to the general public.

Protection and Safety agencies provide law enforcement, military, custody and related services to the general public.

Transportation services to the general public are provided by the Arizona Department of Transportation.

Natural Resources agencies provide services with regard to the natural resources of the State.

E. VALUATION POLICIES

1. Cash and Cash Equivalents

Cash and cash equivalents include undeposited receipts, petty cash, bank accounts, and certificates of deposit.

2. Investments

Investments are stated at cost or amortized cost.

3. Inventories

Inventories consist of expendable supplies held for consumption in all funds, and merchandise intended for sale to customers in the Proprietary and University Funds. Governmental Fund inventories are recorded as an asset for informational purposes only; they are offset by a fund balance reserve. Inventories are stated at cost, using the first-in, first-out method.

4. General Fixed Assets

Fixed assets capitalized in the General Fixed Assets Account Group are recorded at the time of purchase as capital outlay or other expenditures in the funds from which the expenditures are made. Such assets are capitalized at historical cost or estimated historical cost if actual historical cost is unknown. Donated fixed assets are recorded at fair value on the date of contribution.

NOTE 1. (CONTINUED)

The State computes depreciation on its general fixed assets and annually adjusts accumulated depreciation in the General Fixed Assets Account Group. Current depreciation is not included in expenditures.

5. Proprietary and Similar Trust Fund Fixed Assets

Fixed assets acquired in Proprietary Funds are capitalized at historical cost or estimated historical cost if actual cost is unknown. Donated fixed assets are recorded at fair value on the date of contribution.

6. University Fixed Assets

Fixed assets capitalized in the University Funds are recorded at historical cost or estimated historical cost if actual historical cost is unknown. Donated fixed assets are recorded at fair value on the date of contribution.

7. Leases

The State has capital leases for land, buildings, machinery and equipment. Although the terms of these leases vary, most are subject to annual appropriations by the Legislature. If a legislative appropriation is reasonably assured and the intent of the State is to continue the lease, a capital lease is considered non-cancellable for financial reporting purposes and is reported in the General Long-Term Debt Account Group, or in the appropriate Proprietary or University Fund.

Assets acquired through capital leases are valued at the lower of fair market value or the present value of the future minimum lease payments at the start of the lease. Capital leases for the Governmental Funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Asset Account Group. Capital leases for the Proprietary or University Funds are reported in those funds as a long-term obligation, together with the related assets.

The State also leases land, buildings and equipment under operating leases. The related assets are not capitalized. Operating lease obligations are recorded when incurred as rental expenditures or expenses of the related funds.

F. BUDGETS AND BUDGETARY ACCOUNTING

1. Budget Process

Annually, no later than five days after the regular session of the Legislature convenes, the Governor must submit to the Legislature for approval, a proposed operating and capital outlay budget for the succeeding fiscal year. The Legislature must approve the budget by passing a general and a capital outlay appropriation bill. The budget can be amended throughout the year by special legislative appropriations

NOTE 1. (CONTINUED)

and/or budget transfers. The State's budgeted expenditures may not exceed seven percent of aggregate personal income as estimated by the Economic Estimates Commission as stated in the State Constitution.

Funds which have legal budgets include the General Fund, Special Revenue Funds (except for other minor funds), portions or Capital Project Funds, State appropriations to the Coliseum and Exposition Center of the Enterprise Funds, certain Expendable, Non-Expendable and Pension Trust Funds, and State appropriations to the University Funds. However, Federal resources included in these funds are not appropriated. The General Fund is the only fund for which a revenue budget is prepared.

State agencies are responsible for exercising budgetary control and insuring the expenditures do not exceed appropriations. The State Department of Administration - Division of Finance exercises oversight and does not disburse funds in excess of appropriations.

The State prepares its annual budget on the cash basis of accounting. Encumbrances as of June 30 can be liquidated during a four week administrative period known as the 13th month. Anticipated revenue is estimated on the cash basis. The statements comparing budgeted and actual results are presented on the budgetary (or legal) basis.

2. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation, is an extension of formal budgetary control. The Department of Administration - Division of Finance is authorized to draw warrants against the available balances of appropriations for one month after the end of the fiscal year in order to pay for goods or services received but not paid for at the close of the fiscal year.

Encumbrances outstanding more than one month after year end for goods or services that were not received before year end are cancelled. These can only be paid upon a subsequent appropriation by the Legislature. Encumbrances for goods and services received before year end can be paid in the subsequent year with the previous year appropriations.

One month after year end, the remaining available appropriations lapse and no further payments may be made except for continuing appropriations allowed under Arizona Revised Statutes (ARS) Section 35-190. A continuing appropriation automatically renews without further legislative action until altered or revoked. Continuing appropriations primarily relate to multi-year commitments.

NOTE 2. CASH AND INVESTMENTS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are under the control of the State Treasurer, the retirement systems or other administrative bodies. In accordance with statutory requirements, the State invests temporary surpluses of cash in obligations issued or guaranteed by the U.S. Government, and commercial paper or bankers acceptances for a term not to exceed fifteen days. Most cash deposited with the State Treasurer by State agencies is maintained by the Treasurer in various pooled investment funds including United States Treasury pooled investments. The Treasurer deposits in the General Fund interest earned from investments purchased with such pooled monies. However, the Treasurer also invests a State agency's cash in a separate pool if specifically requested to do so by the agency; the Treasurer allocates interest earned from these investments monthly to the participating funds based on average daily cash balances.

The State Treasurer invests the deposited cash, including the cash float, in short-term securities and other investments. Provisions of Arizona law restrict these investments to obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposits (only if deposits in excess of the insured amount are secured by the depository), collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities.

Statutes enacted by the Legislature authorize the retirement systems to make investments in accordance with the "Prudent Man" rule. This rule imposes the responsibility of making investments with the judgment and care that men of ordinary prudence would exercise in the management of their own affairs when considering both the probable safety of their capital and the probable income from that capital. Within this broad framework, the retirement systems have chosen to invest in short-term securities and repurchase agreements, obligations of the U.S. Government and its agencies, corporate bonds, common and preferred stocks and mortgages. The Statutes also place certain restrictions on the investment fund portfolios of the retirement systems.

B. RESTRICTED ASSETS

University Funds report as restricted assets cash and investments for bond and loan retirement funds (including advance refunding of bonds), as well as for maintenance and replacement reserves. The endowment and restricted funds also include restricted assets.

C. COLLATERAL AND INSURANCE

The State requires that deposits and investments with financial institutions be entirely covered by Federal depository insurance or, alternatively, collateralized with surety equal to at least 100% (102% for the Treasurer) of the deposits so collateralized. Cash deposited

NOTE 2. (CONTINUED)

with banks is collateralized based on bank balances. Surety collateralization includes U.S. government obligations, State obligations, obligations of counties and municipalities within the State, and certain other securities. The following tables summarize the collateral and insurance afforded the cash and investments held by the State at June 30, 1989 (expressed in millions). Category A includes cash or investments that are insured or registered, or for which the securities held as collateral are held by the State or its agent in the State's name. Category B includes uninsured and unregistered cash or investments for which the securities are held by the broker's or dealer's agent or bank trust department in the State's name. Category C includes uninsured and unregistered investments for which securities held, if any, are not held in the State's name.

Type of Deposit or Investment	Category A	Category B	Category C	Carrying Amount	Market Value
Cash on hand, demand and similar accounts	$ 6.0	$ 50.2	$ 18.8	$ 75.0	$ 75.0
U. S. Government securities	1,776.1	1,031.9	598.0	3,406.0	3,736.9
Corporate stocks	2,485.9	436.6	22.0	2,944.5	3,455.7
Corporate debt	470.0	1,302.5	1.0	1,773.5	1,769.2
State and local government securities	28.0	975.2	-	1,003.2	1,003.0
Repurchase agreements	351.5	250.5	-	602.0	602.0
Certificate of deposit	62.6	335.6	1.2	399.4	399.4
Other investments	1,868.6	262.7	31.0	2,162.3	2,162.7
Total	$7,048.7	$4,645.2	$ 672.0	$12,365.9	$13,203.9
United States Treasury Pooled Investment				478.5	478.5
Grand Total				$12,844.4	$13,682.4

NOTE 2. (CONTINUED)

State Agency	Category A	Category B	Category C	Carrying Amount	Market Value
Retirement Systems	$6,623.3	$1,325.1	$ 469.6	$ 8,418.0	$ 9,254.7
State Treasurer	340.6	2,164.3	-	2,504.9	2,507.6
State Compensation Fund	-	648.6	11.8	660.4	645.1
Universities	62.0	218.2	158.7	438.9	452.8
Industrial Commission - Special Fund	1.0	123.7	-	124.7	124.7
Deferred Compensation	-	89.5	-	89.5	89.5
Arizona Power Authority	3.1	51.3	15.3	69.7	69.7
University Medical Center	-	16.3	2.2	18.5	18.5
Other	18.7	8.2	14.4	41.3	41.3
Total	$7,048.7	$4,645.2	$ 672.0	$12,365.9	$13,203.9
Department of Economic Security				478.5	478.5
Grand Total				$12,844.4	$13,682.4

At June 30, 1989, the State had no commitments to resell securities under yield maintenance agreements.

During the year ended June 30, 1989, the State did not make significant investments in types of investments beyond those enumerated in the table above.

NOTE 3. RECEIVABLES/PAYABLES/OTHER REVENUES

A. TAXES RECEIVABLE

Taxes receivable represent amounts owed by taxpayers for the 1988 and prior calendar years and the first half of the 1989 calendar year, including assessments for underpayments, penalties and interest. Taxes receivable are accrued when they are earned, measurable, and available.

The income tax receivable is composed of individual and corporate estimated payments, withholding payments, payments with final returns and assessments which relate to income earned through June 30, 1989. The property tax receivable is composed of payments for real property, flight property, and payments for assessments in-lieu of taxes, which relate to property owned and subject to tax through June 30, 1989.

NOTE 3. (CONTINUED)

Sales and income taxes receivable are shown net of estimated uncollectible amounts of $47.5 million and $47.1 million respectively. The following table summarizes taxes receivable at June 30, 1989 (expressed in millions).

Type of Tax	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Expendable Trust Funds
Sales	$ 177.6	$ 9.7	$ -	$ -	$ -
Income-Individual and Corporate	392.2	-	-	-	-
Property	57.9	4.5	-	-	-
Insurance Premium	24.0	-	-	-	-
Estate	15.0	-	-	-	-
Motor Vehicle and Fuel	6.2	46.6	-	-	-
Luxury	5.7	-	2.1	-	-
Industrial Commission Special Fund	-	-	-	4.9	-
Unemployment	-	-	-	-	30.7
Net Taxes Receivable	$ 678.6	$ 60.8	$ 2.1	$ 4.9	$ 30.7

B. OTHER RECEIVABLES

The total amount of other current receivables at June 30, 1989 is $326.8 million. The following schedule summarizes other current receivables over $5 million (expressed in millions).

Fund	Type of Receivable	Amount
Enterprise	Patient accounts	$16.0
Enterprise	Lottery ticket sales	6.7
Pension Trust	Forward contract receivable	77.3
Pension Trust	Securities sold	55.6
Pension Trust	Contributions	10.6
University	Student loans and fees	32.9

The State Compensation Fund had a receivable for premiums at December 31, 1988 of $33.4 million.

NOTE 3. (CONTINUED)

Long-term accounts receivable consist primarily of receivables for land sales contracts of the Land Department, a Non-Expendable Trust Fund ($34.0 million).

C. TAX REFUNDS PAYABLE

Tax refunds payable are estimates of individual income tax withholdings and estimated payments in excess of the tax liability through June 30, 1989, which are expected to be paid in future fiscal years. Refunds related to other taxes are not significant and are netted against the corresponding receivable.

D. DEFERRED REVENUES

Deferred revenues consist of payments to the State for goods and services not yet rendered. Delinquent taxes not collected within 12 months after June 30, 1989, have been deferred and, consequently, are not included in current year revenues. Funds with deferred revenues of $10 million or more consist of the following (expressed in millions).

Revenue Source	General Fund	Dec. 31, 1988 Enterprise Fund State Compensation	University Funds
Taxes	$ 47.6	$ -	$ -
Land Leases	11.2	-	-
Federal Grants	3.4	-	-
Insurance Premiums	-	26.8	-
Student Services	-	-	32.8
Other	0.1	4.1	-
Total	$ 62.3	$ 30.9	$ 32.8

E. SALES AND CHARGES FOR SERVICES - OTHER

The total amount of sales and charges for services - other, of all Proprietary and Similar Trust Funds, for fiscal year end June 30, 1989 is $464.2 million. The following schedule summarizes sales and charges for services - other over $10 million (expressed in millions).

NOTE 3. (CONTINUED)

Fund	Type of Sales and Charges for Services	Amount
State Compensation	Insurance premiums	$193.7
University Medical Center	Medical services	99.4
Risk Management	Insurance premiums	37.6
Land Endowments	Land leases	26.7
Transportation Equipment	Equipment and warehouse supplies	21.4
Arizona Power Authority	Power sales	16.0
Workers' Compensation	Insurance premiums	12.3

NOTE 4. GOVERNMENTAL RECEIVABLES/PAYABLES

A. GOVERNMENTAL RECEIVABLES

Due from U.S. Government in the General Fund of $36.5 million represents receivables from Federal Financial Assistance Programs. The amount of $23.8 million in the Special Revenue Funds consists principally of amounts due to the Arizona Department of Transportation for reimbursement of highway construction costs from the U.S. Department of Transportation.

Total due from Local Governments of $5.9 million in the General Fund at June 30, 1989, includes $3.5 million of interest-free monies appropriated by the Legislature to the following governments, to be repaid within periods ranging from three to four years (expressed in millions).

Navajo County	$2.5
Greenlee County	0.9
Other	0.1
Total	$3.5

B. GOVERNMENTAL PAYABLES

Due to Local Governments in the General Fund of $508.3 million, represents primarily education aid, income tax urban revenue sharing and sales tax collections ($80.0 million, $350.8 million and $66.1 million, respectively) that have not yet been remitted by the State to the respective local governments as of June 30, 1989.

NOTE 5. INTERFUND TRANSACTIONS

A. OPERATING TRANSFERS

Interfund transactions include temporary loans, billings for services and other obligations of one fund to another fund. Major operating transfers of $10 million or more, other than those involving Internal Service Fund operations, during the year ended June 30, 1989 included the following (expressed in millions).

Paying Fund	Receiving Fund	Amount
General	University	
	University of Arizona	$229.5
	Arizona State University	179.9
	Northern Arizona University	61.6
Enterprise		
Lottery	General	66.1
Special Revenue	Debt Service	
ADOT	ADOT	48.7
Enterprise	Special Revenue	
Industrial Commission	Industrial Commission Administration	10.9

Other interfund transactions included smaller operating transfers and quasi-external transactions (i.e., transactions for goods and services rendered for other funds primarily by Internal Service Funds).

B. DUE TO/DUE FROM

A summary of Due to and Due from Other Funds as of June 30, 1989, follows (expressed in millions).

	Due To:							
Due From	General	Spec. Rev.	Ent.	Debt Service	Internal Service	Trust & Agency	Univ.	Total
General Fund	$ 5.0	$ -	$-	$ -	$ 5.2	$ 1.5	$ -	$ 11.7
Special Revenue	0.9	0.7	1.3	0.1	1.7	-	0.6	5.3
Capital Projects	0.6	59.4	-	-	-	-	-	60.0
Enterprise	6.9	0.2	-	-	0.7	-	-	7.8
Internal Service	0.2	-	-	-	-	-	0.1	0.3
Trust and Agency	9.7	0.5	-	-	-	0.1	-	10.3
University	2.1	-	-	-	-	-	19.1	21.2
Total	$ 25.4	$ 60.8	$1.3	$ 0.1	$ 7.6	$ 1.6	$19.8	$ 116.6

NOTE 5. (CONTINUED)

C. RESIDUAL EQUITY

Residual equity transfers were recorded as additions to or subtractions from beginning fund balance for Governmental Fund Types. Residual equity transfers from Enterprise and Internal Service Funds were recorded as a reduction of contributed capital or retained earnings. Residual equity transfers occurring during fiscal year 1988-89 were as follows (expressed in millions).

From	To	Amount
Internal Service Funds	General Fund	$ 10.0
Enterprise Funds	General Fund	4.0
Expendable Trust Funds	General Fund	1.6
Capital Project Funds	General Fund	3.0
Special Revenue Funds	General Fund	1.2
General Fund-- Non-Appropriated	General Fund-- General Operations	1.2
Residual Equity Transfers to General Fund		$ 21.0
Enterprise Funds	Special Revenue Funds	$ 6.2
Internal Service Funds	Special Revenue Funds	4.5
Residual Equity Transfers to Special Revenue Funds		$ 10.7

NOTE 6. FIXED ASSETS

A. CAPITALIZATION POLICY

Land, buildings and infrastructure are capitalized regardless of cost. Infrastructure consists of highways and structures (bridges, overpasses, underpasses, etc.). Improvements (other than buildings) with a project cost of $5,000 or more, and furniture, vehicles and equipment costing $1,000 or more are capitalized if they have useful lives longer than one year.

NOTE 6. (CONTINUED)

B. GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows (expressed in millions).

Asset	Balance July 1, 1988	Additions	Deletions	Balance June 30, 1989
Land	$ 50.0	$ 2.0	$ 7.5	$ 44.5
Buildings and improvements	473.0	37.7	0.3	510.4
Other improvements	12.5	2.2	0.4	14.3
Furniture, vehicles and equipment	158.0	26.3	9.7	174.6
Subtotal	693.5	$ 68.2	$ 17.9	743.8
Infrastructure:				
Structures	487.7	$ 152.7	$ 37.7	602.7
Preliminary engineering	143.7	3.8	-	147.5
Utilities	12.6	8.5	-	21.1
Highways	1,357.2	211.4	201.4	1,367.2
Right of way	417.7	66.4	0.2	483.9
Other	150.9	18.3	-	169.2
Total Infrastructure	2,569.8	$ 461.1	$ 239.3	2,791.6
Construction in progress:				
Non-infrastructure	95.9			2.7
Infrastructure	956.5			809.3
Total Construction in progress	1,052.4			812.0
Total General Fixed Assets	$ 4,315.7			$ 4,347.4

Major construction projects included in Construction in Progress for fixed assets are summarized below (expressed in millions).

Project	Estimated Project Cost	Cost to Date	Remaining Cost to Complete
Prison Construction	$ 27.6	$ 2.5	$ 25.1
Universities	309.5	84.2	225.3
Total	$ 337.1	$ 86.7	$ 250.4

NOTE 6. (CONTINUED)

C. PROPRIETARY AND SIMILAR TRUST FUND FIXED ASSETS

The State is trustee for approximately 9.6 million acres of land acquired through U.S. Government land grants. The State acquired a substantial portion of this land at no cost to the State, and its fair market value can not be reliably estimated. Accordingly, this land is not reported on the accompanying financial statements.

The State holds land and other assets in trust for the benefit of its public schools and other public institutions. The trust requires the principal to be held intact with only interest and rentals of property distributed for current operations. Accordingly, certain revenues, including gains on the sale of property, are added to principal rather than distributed for current operations. In addition, the State Constitution provides that certain State revenue be added to the principal of the trust. In 1989, the trust distributed all monies eligible for distribution to aid the State's educational system.

A summary of Proprietary and Similar Trust Fund fixed assets from July 1, 1988 through June 30, 1989, follows (expressed in millions) except for State Compensation which is for January 1, 1988 through December 31, 1988.

Asset	Balance July 1, 1988	Additions	Deletions	Balance June 30, 1989
Land	$ 2.9	$ -	$ -	$ 2.9
Buildings and improvements	79.1	4.1	-	83.2
Other improvements	0.6	-	-	0.6
Furniture, vehicles and equipment	126.3	24.7	9.7	141.3
Subtotal	208.9	28.8	9.7	228.0
Construction in progress	0.2	0.4	0.2	0.4
State Compensation (All types)	45.4	2.6	-	48.0
Total	$ 254.5	$ 31.8	$ 9.9	$ 276.4

NOTE 6. (CONTINUED)

D. UNIVERSITY FIXED ASSETS

A summary of changes in University fixed assets follows (expressed in millions).

Asset	Balance July 1, 1988	Additions	Deletions	Balance June 30, 1989
Land	$ 85.2	$ 8.1	$ -	$ 93.3
Buildings and improvements	682.9	152.1	-	835.0
Other improvements	18.2	1.3	-	19.5
Furniture, vehicles and equipment	500.2	63.4	12.6	551.0
Subtotal	1,286.5	224.9	12.6	1,498.8
Construction in progress	101.5	11.1	28.4	84.2
Total	$1,388.0	$ 236.0	$ 41.0	$1,583.0

E. DEPRECIATION

Using the straight-line method, depreciation is provided over the estimated useful lives of assets, as shown below. Depreciation is charged against operations in the Proprietary, Non-Expendable Trust, and Pension Trust Funds. The University Funds do not depreciate fixed assets.

Asset	Useful Life
Infrastructure, buildings, and improvements	15-50 years
Vehicles and office equipment	5-7 years
Office furniture	3-5 years

NOTE 7. EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES (See Note 1.D.3.)

1. Annual Leave

In general, State employees accrue vested annual leave at a variable rate based on years of service. An employee forfeits accumulated annual leave in excess of 240 hours at the end of a calendar year, unless the Director of the Department of Administration authorizes an exception. An employee who separates from State service is paid for all unused and unforfeited annual leave at the employee's rate of pay at the time of separation.

NOTE 7. (CONTINUED)

2. Compensatory Leave

Some employees accumulate compensatory leave for time worked over 40 hours per week. Compensatory leave is treated like annual leave except that the employee must use any compensatory leave before using annual leave.

B. SICK LEAVE

Sick leave includes any approved period of paid absence granted an employee due to illness, injury or disability. Most State employees accrue sick leave at the rate of eight hours per month without an accumulation limit. With minor exceptions, sick leave credits are forfeited upon separation. If more than 1000 hours are accumulated upon retirement, the retiree will receive $750 as a bonus. (See Note 14.)

C. DEFERRED COMPENSATION PLAN

The State of Arizona Deferred Compensation Plan for State Employees (the Plan), established in accordance with Section 457 of the Internal Revenue Code, allows employees to contribute to the Plan an amount not to exceed the lesser of $7,500 or one-third of the employee's gross income. Employee contributions are deferred for income tax purposes until benefits are paid to the employees. Revenue sources are voluntary payroll deductions from employees and earnings on investments made therefrom. The State does not make any contributions to the Plan.

The State has stewardship responsibility under the terms of the Plan. Plan assets are the sole property of the State subject to claims of State creditors. The rights of the employees or their beneficiaries are equivalent to that of a general creditor. Employees may withdraw the value of their Plan account upon termination of employment, retirement, death, disability or financial hardship. Employees may select from various annuity options.

The State appointed an independent administrator for the Plan. Participants direct the administrator to invest their accounts among various investment options. The administrator receives commissions from the investment of participant contributions.

As of June 30, 1989, assets invested on behalf of the participants and available for Plan benefits totaled $89.5 million. This amount is reported at market value in an Agency Fund.

NOTE 7. (CONTINUED)

D. SOCIAL SECURITY PARTICIPATION COSTS

As an employer, the State participates in Social Security. In accordance with the terms of the Social Security program, the State matched the employee payment of 7.51% of up to $45,000 and $48,000 in employee earnings in calendar years 1988 and 1989, respectively. The total Social Security participation costs to the State for fiscal year 1988-89 were $84.3 million.

NOTE 8. RETIREMENT PLANS

A. PLAN DESCRIPTIONS

The State maintains four cost-sharing, multiple-employer retirement systems: the Arizona State Retirement System (ASRS), the Public Safety Personnel Retirement System (PSPRS), the Elected Official Retirement Plan (EORP), and the Corrections Officers Retirement Plan (CORP). The systems publish their own Component Unit Financial Reports containing historical trend and other data to provide information on progress made in accumulating sufficient assets to pay benefits when due.

The systems provide retirement, death, and disability benefits to State employees, public school employees, and employees of counties, municipalities, and certain other State political subdivisions.

The number of participating local government employers as of June 30, 1989 are shown below.

EMPLOYER	ASRS	PSPRS	EORP	CORP
Cities and towns	51	94	8	-
Counties	14	14	14	10
State	1	1	1	1
Special districts	11	-	-	-
School districts	210	-	-	-
Community college districts	9	-	-	-
Other	-	9	-	-

The number of members and benefit recipients of the retirement systems as of June 30, 1989 are shown below.

	ASRS	PSPRS	EORP	CORP
Retirees and beneficiaries currently receiving benefits	47,523	2,529	408	85
Current employees:				
Vested	61,020	4,350	335	513
Nonvested	63,416	5,508	261	5,733

NOTE 8. (CONTINUED)

B. FUNDING AND BENEFIT POLICIES

The Arizona State Legislature prescribes requirements relating to membership, benefits, and employee/employer contribution requirements for each system. The following summarizes those requirements.

ASRS is a cost-sharing multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions. Membership is required as a condition of employment. Both employers and employees must contribute. Benefits vest after five years of service. Members retiring at age 65, or at age 62 with ten years of total credited service, or when age plus total credited service equals 85 receive retirement benefits. The benefit is the product of two percent of the participant's highest 36-month average compensation (in the last 120 months of employment) multiplied by years of total credited service.

PSPRS is an agent multiple-employer pension system that benefits fire fighters and police officers employed by the State and its political subdivisions. Membership is required as a condition of employment. Both employers and employees must contribute. Members retiring at age 62 with 15 years service, or at any age with 20 or more years service, receive benefits. Retirees with 15 years credited service receive 30% of their average compensation during the three years, out of their last ten, when their compensation was highest. For each additional year of service, up to 20 years, the retiree receives an additional four percent of average compensation so that a retiree with 20 years of service receives 50% of average compensation. For each additional year of service beyond 20 years, the retiree receives an additional two percent of average compensation provided the retirement benefit does not exceed 80% of average compensation. Members with ten years service may also vest certain benefits provided they do not withdraw their contributions prior to attaining age 62.

EORP is a cost-sharing multiple-employer pension system that benefits all elected State and county officials and judges (except La Paz County elected officials), and certain elected city officials. Membership is required as a condition of employment. Both employers and employees must contribute. Benefits vest after five years of credited service. Vested members retiring at age 60 with 25 years or more of credited service, or at age 62 with ten or more years of credited service, or at age 65 with five or more years of credited service receive benefits. The benefit is four percent of the member's final annual salary multiplied by the years of the member's credited service. The maximum is 80% of a member's final salary.

NOTE 8. (CONTINUED)

CORP is a cost-sharing multiple-employer pension system that benefits county detention officers and certain employees of the State Department of Corrections. Membership is required as a condition of employment. Both employers and employees must contribute. Benefits vest after ten years of credited service. Vested members retiring at age 55 with 25 years of credited service, or at age 62 with ten years of credited service receive annual benefits. The benefit is two percent of the member's average monthly salary multiplied by the member's years of credited service. The amount of a member's pension shall not exceed 75% of the member's average monthly salary.

C. FUNDING STATUS AND PROGRESS

The Pension Benefit Obligation (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The PBO is the actuarial present value of credited projected benefits and is intended to: (1) help users assess the plans' funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The PBO is independent of the actuarial funding method used to determine contributions to the plan.

Significant actuarial assumptions used to compute the PBO at June 30, 1989 are summarized below.

	ASRS	PSPRS	EORP	CORP
Annual interest rate (compounded annually)	8%	9%	9%	9%
Inflation and other factors	5.5%	6.5%	7%	5.5%
Merit or seniority increases	0%-2.25%	0%-3.0%	none	.1%-.3%
Post-retirement benefit increases	none	$17.3 million	none	none

NOTE 8. (CONTINUED)

The total PBO and net assets available to meet the obligation for each system at June 30, 1989 are summarized below (expressed in millions).

	ASRS	PSPRS	EORP	CORP
Net assets available for benefits, at market	$ 7,315	$ 1,292	$ 95	$ 92
Pension benefit obligation--				
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	2,294	360	36	6
Current employees:				
Accumulated employee contributions including allocated investment income	1,467	188	9	33
Employer financed-vested	1,589	451	37	3
Employer financed-non-vested	668	69	3	39
Total pension benefit obligation	6,018	1,068	85	81
Net assets in excess of pension benefit obligation	$ 1,297	$ 224	$ 10	$ 11
Net assets available for benefits, at cost or amortized cost	$ 6,653	$ 1,164	$ 84	$ 89

Estimated increases in the PBO of June 30, 1989 resulting from changes (expressed in millions) are as follows.

	ASRS	PSPRS	CORP
Assumption changes	$29.8	$ 6.8	$ -
Benefit provision changes and ad hoc increase for retirees and beneficiaries	-	-	4.5

NOTE 8. (CONTINUED)

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The systems' consulting actuaries determine employer contributions. The systems use the projected benefit method with entry age normal cost for this purpose. In determining funding requirements, the actuary uses the same actuarial assumptions as those used to calculate the pension benefit obligation. Unfunded actuarial accrued liability is amortized as a percent of payroll. At June 30, 1989, the unfunded accrued liability liquidation period in years were as follows.

ASRS	PSPRS	EORP	CORP
13	28	33	40

Actuarially determined contribution requirements (expressed in millions) for the fiscal year ended June 30, 1989 were as follows.

	Normal Costs	Amortization of under (over) funded past service liability	Total Required Contributions
ASRS	$318.7	$ (9.7)	$ 309.0
PSPRS	53.5	-	53.5
EORP	4.8	-	4.8
CORP	15.6	-	15.6

Actual contributions (expressed in millions) for the fiscal year ended June 30, 1989 were as follows.

	Employer Contributions	% of Covered Payroll	Employee Contributions	% of Covered Payroll
ASRS	$ 154.5	5.1	$ 154.5	5.1
PSPRS	26.5	7.2	27.0	7.3
EORP	2.7	10.8	2.1	8.7
CORP	7.8	6.0	7.8	6.0

NOTE 8. (CONTINUED)

E. TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal years ended June 30, 1987, 1988 and 1989 follows.

	ASRS	PSPRS	EORP	CORP
Net assets available for benefits as a percentage of the pension benefit obligation:				
June 30, 1989	110.6%	108.9%	99.5%	109.9%
June 30, 1988	111.1%	109.8%	103.1%	113.4%
June 30, 1987	110.2%	109.3%	104.3%	98.3%
Excess (unfunded) pension benefit obligation as a percentage of annual covered payroll:				
June 30, 1989	21.2%	27.6%	(1.9)%	6.0%
June 30, 1988	21.2%	28.9%	10.2%	7.1%
June 30, 1987	20.4%	26.1%	13.2%	(.8)%
Employer contributions as a percentage of annual covered payroll:				
June 30, 1989	5.1%	7.2%	10.8%	6.0%
June 30, 1988	5.1%	6.7%	12.5%	6.0%
June 30, 1987	4.0%	7.7%	11.8%	6.0%

The State's contributions to each system met the actuarially determined requirements for the fiscal years ended June 30, 1987, 1988 and 1989.

NOTE 9. OBLIGATIONS UNDER LEASES AND INSTALLMENT PURCHASES

A. LEASES

The total operating lease expenditures for the fiscal year ended June 30, 1989 were $17.1 million.

NOTE 9. (CONTINUED)

The future minimum lease payments for long-term operating leases as of June 30, 1989 are summarized below (expressed in millions).

Fiscal Year	Governmental Funds	Proprietary Funds
1990	$ 5.1	$ 0.3
1991	3.6	0.1
1992	2.6	0.1
1993	1.6	-
1994	0.2	-
Thereafter	0.3	-
Total Future Minimum Payments	$ 13.4	$ 0.5

Many operating leases are for buildings and land leased by State agencies. Although these leases are considered to be long-term, they are cancellable under certain circumstances.

- An agency must be able to cancel the lease if funds are not appropriated to cover the lease expenditures.
- If an agency is ordered to move into State-owned property and a 60-day notice is given, the lease can be cancelled without penalty.
- In situations where the use of the leased property is dependent on the use of Federal monies, the lease must be cancellable in the event Federal funds are no longer available.

The future minimum lease payments for long-term capital leases as of June 30, 1989 are summarized below (expressed in millions).

Fiscal Year	General Long-Term Debt Account Group	Proprietary Funds	University Funds
1990	$ 3.6	$ 0.9	$ 5.3
1991	2.5	0.5	5.0
1992	1.1	0.3	4.9
1993	0.2	0.1	3.9
1994	-	-	3.8
Thereafter	-	-	27.4
Total Future Minimum Payments	7.4	1.8	50.3
Less: Interest and Executory Costs	0.7	0.1	17.3
Net Liability at June 30, 1989	$ 6.7	$ 1.7	$ 33.0

NOTE 9. (CONTINUED)

B. INSTALLMENT PURCHASES

The State has installment purchase contracts payable for acquisitions of computer and other equipment. Installment purchases for the Governmental Funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the General Fixed Assets Account Group. Installment purchases for the Proprietary and University Funds are reported in those funds as a long-term obligation, together with the related assets.

A summary of installment purchase payments required in future years follows (expressed in millions).

Fiscal Year	General Long-Term Debt Account Group	Proprietary Funds	University Funds
1990	$ 1.4	$ 2.9	$ 3.7
1991	1.0	2.7	4.1
1992	0.6	2.4	3.5
1993	0.4	1.6	2.5
1994	0.2	1.2	1.8
Thereafter	-	4.5	3.0
Total	3.6	15.3	18.6
Less: Interest and Executory Costs	0.5	3.5	4.7
Net Liability at June 30, 1989	$ 3.1	$ 11.8	$ 13.9

C. SUMMARY OF CHANGES

A summary of the changes in capital leases and installment purchase obligations follows (expressed in millions).

	Balance July 1, 1988	New Contracts	Principal Reduction	Balance June 30, 1989
General Long-Term Debt Account Group	$ 9.1	$ 4.7	$ 4.0	$ 9.8
Proprietary Funds	1.9	13.5	1.9	13.5
University Funds	27.7	27.8	8.6	46.9
Total	$ 38.7	$ 46.0	$ 14.5	$ 70.2

NOTE 10. REVENUE BONDS

A. DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) issued Highway Improvement Bonds in 1980, and Highway Revenue Bonds in 1982, 1986 and 1987. These bonds are secured by a prior lien on, and a first pledge of, motor vehicle and related fuel fees and taxes of the State Highway Fund.

DOT also issued Series A Transportation Excise Tax Revenue Bonds in 1986, 1987 and 1988. These bonds are secured by transportation excise taxes collected by the Department of Revenue on behalf of Maricopa County and held in trust by the State Treasurer.

The 1980 State of Arizona Highway Improvement Bonds are subject to redemption prior to their maturity dates on any interest payment date in inverse order of maturity. The bonds may be redeemed by payment of all principal and accrued interest plus an amount equal to 0.25% of the principal amount for each six-month period elapsing between the date of redemption and the stated maturity date, not to exceed 2.5%.

The 1982, 1986 and 1987 State of Arizona Highway Revenue Bonds are subject to redemption prior to their maturity dates on July 1, 1991, 1996 and 1997, respectively, or on any interest payment date thereafter. The bonds may be redeemed in inverse order of maturity for the 1982 bonds, and in any order for the 1986 and 1987 bonds, at redemption prices ranging from 100 percent to 103 percent of principal, plus accrued interest to the date fixed for redemption.

The 1986 and 1987 Series A State of Arizona Transportation Excise Tax Revenue Bonds maturing on or after July 1, 1997, and 1998, respectively, are subject to redemption prior to their maturity dates on or after July 1, 1996 and 1997, respectively. The bonds may be redeemed in any order for the 1986 bonds and in inverse order of maturity (in random order within a maturity) for the 1987 bonds, at redemption prices ranging from 100 percent to 102 percent of principal, plus accrued interest to the date fixed for redemption.

The 1988 Series A Current Interest Bonds maturing July 1, 2002 through July 1, 2005 are callable for redemption prior to their stated maturity dates on or after July 1, 1998. The bonds may be redeemed in any order of maturity at redemption prices ranging from 100 percent to 102 percent of principal, plus accrued interest at the date fixed for redemption. The 1988 Series A Capital Appreciation Bonds maturing July 1, 2002 through July 1, 2005 are not subject to redemption prior to maturity.

As of June 30, 1989, the principal balance of defeased, refunded bonds is $100.2 million, which accordingly is not included as a liability in the accompanying financial statements.

NOTE 10. (CONTINUED)

B. ARIZONA POWER AUTHORITY

The Arizona Power Authority issued Revenue Bonds in 1985, to obtain funding for the Hoover Uprating Project. Through a secondary offering, the bonds were converted to fixed rate bonds in April 1987 after execution of power contracts with new power allottees.

C. COLISEUM AND EXPOSITION CENTER

Coliseum and Exposition Center Revenue Bonds, Project of 1964, were issued to provide funds for constructing and equipping the Veterans' Memorial Coliseum in Phoenix. Interest and principal requirements of the bond issue are secured by net revenues from Coliseum operations and pari-mutuel racing receipts.

D. UNIVERSITY MEDICAL CENTER

The University Medical Center issued Hospital Revenue Bonds in 1986 and 1987 to retire past debt and for building improvement, equipment purchases and construction of a parking facility. The bonds are secured by University Medical Center gross revenues.

E. UNIVERSITIES

1. University of Arizona

In April 1986, the University of Arizona issued System Revenue Bonds. The bond proceeds were used for construction projects, placed in an irrevocable trust to advance refund 1983 Revenue Bonds and used to retire 1985 Revenue Bonds. The 1983 Revenue Bonds have been defeased through this advance refunding. As of June 30, 1989, the principal balance of the defeased, refunded bonds is $41.2 million, which accordingly is not included as a liability in the accompanying financial statements. The 1986 System Revenue Bonds are payable from tuition and fees, auxiliary enterprises revenues, and certain other revenues as defined in the bond indenture.

2. Northern Arizona University

In 1986, Northern Arizona University issued System Revenue Bonds. The bond proceeds were used for construction projects and placed in irrevocable trusts to advance refund the 1982 and 1983 Revenue Bonds. As of June 30, 1989, the principal balance of the defeased, refunded bonds is $16.1 million, which accordingly is not included as a liability in the accompanying financial statements. The 1986 System Revenue Bonds are payable from tuition and fees, auxiliary enterprises revenues, and certain other revenues as defined in the bond indenture.

NOTE 10. (CONTINUED)

3. Arizona State University

In December 1988, Arizona State University sold $36.4 million of System Revenue Bonds for the financing of six main campus projects.

In December 1985, Arizona State University legally defeased all System Improvement Bonds, refunding revenue bonds, and revenue bonds previously refunded. This advance refunding was undertaken to utilize reserves restricted under previous bond indenture, construct new facilities and reduce future debt service payments. The total defeased debt balance is $51.9 million as of June 30, 1989 which accordingly is not included as a liability in the accompanying financial statements. The University's Housing Revenue Bonds are payable from housing revenues as defined in the bond indenture. The 1985 System Revenue Refunding Bonds and the 1986 System Revenue Bonds are payable from tuition and fees, auxiliary enterprises revenues, and certain other revenues as defined in the bond indenture.

F. SUMMARY OF REVENUE BONDS

The following schedule summarizes revenue bonds outstanding at June 30, 1989 (expressed in millions).

Revenue Bonds Outstanding	Dates Issued	Maturity Dates	Interest Rates	Amount Authorized	Amount Issued	Outstanding Balance at June 30, 1989
Department of Transportation	1980-1988	1986-2005	4.3-11.0%	$1,000.0	$933.3	$830.6
1987 Arizona Power Authority	1987	1993-2017	5.4-7.2%	98.4	98.4	89.8
1964 Coliseum and Exposition	1964	1994	4.375%	7.2	6.9	2.2
University Medical Center	1986-1987	1990-2016	7.8%	27.0	27.0	27.0
University Revenue Bonds	1953-1989	1989-2019	2.75-9.9%	492.5	492.5	438.8

Future debt service requirements on revenue bond issues for fiscal years ended June 30 are summarized below (expressed in millions).

	Principal					
Fiscal Year	DOT	Arizona Power Authority	Coliseum and Exposition	University Medical Center	Universities	Total Principal
1990	$ 42.6	$ -	$ 0.6	$ 0.4	$ 9.7	$ 53.3
1991	45.1	-	0.4	0.4	10.7	56.6
1992	48.0	-	0.4	0.4	11.9	60.7
1993	51.1	0.8	0.8	0.4	13.2	66.3
1994	54.2	0.9	-	0.4	14.0	69.5
Thereafter	589.6	88.1	-	25.0	379.3	1,082.0
Total	$ 830.6	$ 89.8	$ 2.2	$ 27.0	$ 438.8	$ 1,388.4

NOTE 10. (CONTINUED)

Principal and interest debt service requirements on revenue bonds outstanding at June 30, 1989 are as follows (expressed in millions).

Fiscal Year	Annual Debt Service: Total Principal	Total Interest	Total Amount Required
1990	$ 53.3	$ 97.7	$ 151.0
1991	56.6	92.6	149.2
1992	60.7	88.8	149.5
1993	66.3	84.7	151.0
1994	69.5	80.4	149.9
Thereafter	1,082.0	651.5	1,733.5
Total	$1,388.4	$1,095.7	$2,484.1

Changes in Revenue Bonds for Fiscal Year 1989 are summarized below (expressed in millions).

Balance at July 1, 1988	$1,203.1
New Bonds Issued	233.1
Bonds Retired	(47.8)
Balance at June 30, 1989	$1,388.4

NOTE 11. CERTIFICATES OF PARTICIPATION

The State has issued Certificates of Participation (COPs) to finance construction or improvements of office buildings which are primarily leased to State agencies. The COPs mature serially at six-month intervals. The State has no legal obligation for payment of principal and interest. The State lease payments are made to a trustee, subject to and dependent upon yearly appropriations by the Legislature.

The State is recording the COPs at the outstanding balance less cash with trustee except for the Universities and the Industrial Commission which are recorded at the outstanding balance. The cash with trustee includes $82.2 million to complete the construction under the Arizona Municipal Financing Program (AMFP) COP and the remainder as a reserve for the other COPs including AMFP.

Capitalized interest costs include interest incurred during the construction of an asset.

NOTE 11. (CONTINUED)

The 1985 COPs for the Industrial Commission were issued to refund the 1984 certificates. The refunded amount was $17.5 million. This amount has been paid and is not included in the outstanding amounts.

A summary of the COPs issued as of June 30, 1989, is as follows (expressed in millions).

Project	Issue Date	Maturity Dates	Interest Rates
Arizona State University:			
Telecommunications	1985	1993	5.9 - 8.9%
West Campus	1989	2009	7.0 - 7.75%
Industrial Commission Special Fund	1985	2005	Varies-Approx. 5.2%
Department of Revenue/ Department of Economic Security	1986	1988-2008	5.5 - 7.5%
Capital Centre	1986	1987-2007	4.75 - 6.75%
Arizona Municipal Financing Program*	1988	1989-2010	5.8 - 7.7%

Project	Amount Authorized and Issued	Outstanding Balance	Cash with Trustee	Net COP Liability
Arizona State University:				
Telecommunications	$ 9.9	$ 7.4	$ 1.5	$ 5.9
West Campus	55.4	55.4	52.3	3.1
Industrial Commission Special Fund	17.5	17.0	2.7	14.3
Department of Revenue/ Department of Economic Security	28.4	27.5	4.3	23.2
Capital Centre	20.8	19.9	2.0	17.9
Arizona Municipal Financing Program*	121.8	121.8	96.2	25.6
Total	$ 253.8	$ 249.0	$ 159.0	$ 90.0

* The Arizona Municipal Financing Program COPs were issued to finance the construction of the Supreme Court building, DES-West building, parking garages, and other various buildings and facilities.

NOTE 11. (CONTINUED)

Principal and interest debt service requirements on COPs outstanding at June 30, 1989 are as follows (expressed in millions).

Fiscal Year	Annual Debt Service: Total Principal	Total Interest	Total Amount Required
1990	$ 4.1	$ 17.8	$ 21.9
1991	5.0	17.5	22.5
1992	7.6	17.2	24.8
1993	8.1	16.7	24.8
1994	9.4	16.1	25.5
Thereafter	214.8	159.1	373.9
Total	$ 249.0	$ 244.4	$ 493.4

Changes in COPs for Fiscal Year 1989 are summarized below (expressed in millions).

Balance at July 1, 1988	$ 74.6
New COPs Issued	177.2
COPs Retired	(2.8)
Balance at June 30, 1989	$ 249.0

NOTE 12. FUND BALANCE/RETAINED EARNINGS DETAIL

The following schedule details Fund Balances at June 30, 1989 (expressed in millions).

	Governmental Fund Types				Fiduciary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Trust	University
Fund Balance:						
Appropriated:						
Reserved for:						
Inventory	$ 5.6	$ 2.0	$ -	$ -	$ 0.5	$ -
Highway Construction	-	108.2	-	-	-	-
Retirement Benefits	-	-	-	-	7,997.9	-
Trust Principal	-	-	-	-	1,040.7	-
Continuing Appropriations	38.8	460.9	-	32.9	-	-
Debt Service	-	-	15.1	-	-	-
Other	8.4	0.2	-	-	-	-
Unreserved:						
Restricted	-	-	-	-	-	171.4
Unrestricted:						
Designated	-	-	-	-	-	111.4
Undesignated	(144.1)	(160.7)	-	126.5	-	-
Non-Appropriated:	7.3				-	-
Total Fund Balance	$ (84.0)	$ 410.6	$ 15.1	$ 159.4	$ 9,039.1	$ 282.8

Restricted fund balance for University Funds represents restrictions for U.S. Government grants refundable, endowments, quasi-endowments, and other restrictions of $29.7, $32.8, $13.5, and $95.4 respectively (amounts expressed in millions).

Designated fund balance for University Funds represents designations for outstanding purchase orders and other commitments, quasi-endowments, and other designations of $15.8, $22.4, and $73.2 respectively (amounts expressed in millions).

Total retained earnings for Enterprise Funds include reservations for Arizona Power Authority, University Medical Center, Industrial Commission, and Library and Archives of $5.1, $0.3, $0.3, and $0.1 respectively (amounts expressed in millions).

NOTE 12. (CONTINUED)

Funds with deficit equity balances at June 30, 1989 were as follows (expressed in millions).

Fund	Amount of Deficit
General Fund	$84.0
Internal Service Funds	$94.7

The deficit in the General Fund - General Operations of $70.1 million was caused by expenditures, including urban revenue sharing and basic state aid to education exceeding revenues and fund balance determined under the modified accrual basis of accounting.

The General Fund - Other Appropriated Funds deficit of $44.2 million is due to AHCCCS accrued medical costs which will not be paid until the following fiscal year. This condition is likely to continue throughout the existence of the AHCCCS program.

The Internal Service Fund deficit results from the Risk Management and Workers' Compensation Funds net losses in prior years. The Risk Management and Workers' Compensation Fund deficits of $97.7 and $41.9 million respectively, are primarily due to the State's policy of funding 60% of the actuarially determined liability. However, 100% of the liability is recorded for financial statement purposes. The Risk Management and Workers' Compensation accumulated deficits at June 30, 1989 should be recovered through annual adjustments to insurance billings. The entire liability is reflected in the Internal Service Funds, rather than being allocated to other funds, to assist financial statement users in their understanding and analysis of the Risk Management and Workers' Compensation Funds.

The General Fund consists of four different funds: 1) the General Operating Fund; 2) Federal Grants; 3) Other Appropriated Items; and 4) Other Non-Appropriated Items. The General Operating Fund is the "Budgetary Basis" General Fund. Other Appropriated Items consists of appropriations that are not part of the "Budgetary Basis" General Fund, primarily AHCCCS. Other Non-Appropriated Items consists of non-budgeted items. In addition, the Legislature appropriates portions of the Special Revenue, Capital Projects, Enterprise, Expendable Trust, Non-Expendable Trust and Pension Trust Funds. The Appropriation (Budget) to Actual financial statements detail only the activity for which there is a legal budget or appropriation. The total Fund Balances/Retained Earnings of the respective funds is composed of the appropriated and non-appropriated activity. The State does not budget beginning and ending fund balance amounts for appropriated funds.

NOTE 12. (CONTINUED)

The following Revenue and Expenditure Accrual Adjustments are GAAP revenue and expenditure activity for FYE 1989 not included in the Combined Statement of Revenue and Expenditures - Appropriation (Budget) to Actual.

The accompanying "Combined Statement of Revenues and Expenditures - Appropriation (Budget) to Actual - Budgetary Basis - General, Special Revenue and Capital Projects Funds" presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below (expressed in thousands):

	General Fund Actual	Special Revenue Funds Actual	Capital Projects Funds Actual
Budgetary Statement Revenue and Other Sources Over (Under) Expenditures and Other Uses for FYE 1989	$ (51,986)	$ (9,123)	$ 20,469
Unbudgeted/Appropriated Fund Balance at July 1, 1988:			
General Operations	6,106	(174,507)	20,268
Other	48,176	-	-
Unreserved Fund Balance at July 1, 1988	54,282	(174,507)	20,268
Increase in Budgetary Continuing Appropriations during FYE 1989	-	(210,042)	-
Increase in Revolving Funds	-	(22)	-
Unbudgeted/Appropriated Fund Balance at June 30, 1989:			
General Operations	1,163	(393,694)	40,737
Other	1,133	-	-
Unreserved Fund Balance at June 30, 1989	2,296	(393,694)	40,737
Non-Appropriated Unreserved Budgetary Fund Balance at June 30, 1989	-	111,540	185,766
Budgetary Fund Balance at June 30, 1989 Appropriated and Non-Appropriated	$ 2,296	$ (282,154)	$ 226,503

NOTE 12. (CONTINUED)

	General Fund Actual	Special Revenue Funds Actual	Capital Projects Funds Actual
BASIS OF ACCOUNTING DIFFERENCES			
Increases to Fund Balance:			
Taxes receivable, net of allowances	$ 654,639	$ 60,522	$ 2,072
Short term receivables	42,701	90,381	4,231
Inventories	5,328	2,008	-
Other current assets	7,837	1,260	6,402
Long-term receivable	1,757	-	
Total	712,262	154,171	12,705
Decreases to Fund Balance:			
Accounts payable	-	-	15,047
Tax refunds payable	165,214	-	-
Due to local governments	507,766	58,095	-
Due to other funds	-	1,695	60,683
Deferred revenue	58,894	357	-
Insurance losses	91,651	-	-
Other current liabilities	19,203	6,341	2,143
Total	842,728	66,488	77,873
Net Differences in Accruals	(130,466)	87,683	(65,168)
OTHER DIFFERENCES			
Transfers and Other Financing Sources (Uses)	-	(455)	(1,933)
Fund Structure:			
General Fund - Federal Grants	23,024	-	-
General Fund - Other	7,373	-	-
Continuing appropriations - budgetary	-	34,222	-
General Fund - General Operations reclassification of fund equity	(7,080)	-	-
Tax accruals	9,269	-	-
Reserved fund balances:			
GAAP:			
Continuing appropriations	-	460,948	-
ADOT	-	110,193	-
Budgetary	11,631	154	-
Total Increases(Decreases) to Fund Balances	(86,249)	692,745	(67,101)
Total GAAP Basis Fund Balances	$ (83,953)	$ 410,591	$ 159,402

NOTE 12. (CONTINUED)

Total Appropriations (Budgets) compared to Total Expenditures and Operating Transfers Out are summarized in the following table. (Amounts expressed in thousands).

Legislative Appropriations/ Budgets	General Fund- General Operations	General Fund- Other Appropriations	Special Revenue	Capital Projects
General Government	$ 181,266	$ 16,122	$ 109	$ -
Health And Welfare	248,989	490,619	5,380	-
Inspection And Regulation	38,183	-	27,207	-
Education	1,245,893	-	-	-
Protection And Safety	252,001	537	8,269	-
Transportation	83	-	2,533,504	-
Natural Resources	24,998	-	15,603	-
Capital Outlay	42,649	6,236	-	41,272
Operating Transfers Out	958,024	2,679	63,964	796
Total Appropriations/ Budgets	2,992,086	516,193	2,654,036	42,068
Expenditures/Transfers				
General Government	171,863	15,374	70	-
Health And Welfare	235,883	314,764	2,652	-
Inspection And Regulation	36,499	-	24,595	-
Education	1,196,792	-	-	-
Protection And Safety	246,253	595	5,544	-
Transportation	50	-	593,769	-
Natural Resources	24,339	-	14,024	-
Capital Outlay	21,598	3,104	-	9,272
Operating Transfers Out	958,022	2,679	63,964	796
Total Expenditures/ Transfers	2,891,299	336,516	704,618	10,068
Variance Under (Over) Appropriations/Budgets	$ 100,787	$ 179,677	$1,949,418	$ 32,000

Enterprise	Expendable Trust	Non-Expendable Trust	Pension Trust	Universities	Total (Memorandum Only)
$ 1,200	$ -	$ 1,034	$ 3,008	$ -	$ 202,739
-	-	74	-	-	745,062
-	-	-	-	-	65,390
-	-	-	-	114,548	1,360,441
-	-	-	-	-	260,807
-	-	-	-	-	2,533,587
-	386	-	-	-	40,987
999	-	-	-	-	91,156
-	-	-	-	-	1,025,463
2,199	386	1,108	3,008	114,548	6,325,632
507	-	1,034	3,008	-	191,856
-	-	-	-	-	553,299
-	-	-	-	-	61,094
-	-	-	-	105,094	1,301,886
-	-	-	-	-	252,392
-	-	-	-	-	593,819
-	241	-	-	-	38,604
685	-	-	-	-	34,659
-	-	-	-	-	1,025,461
1,192	241	1,034	3,008	105,094	4,053,070
$ 1,007	$ 145	$ 74	$ -	$ 9,454	$ 2,272,562

NOTE 13 SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The State groups its Enterprise Funds as follows.

- State Compensation--Operates the State's workers' compensation program.
- Lottery--Operates the State's lottery.
- University Medical Center--Operates in connection with the University of Arizona Medical School and provides a variety of hospital and health care services.
- Arizona Power Authority--Manages the affairs of all electric energy or power in the State.
- Coliseum and Exposition Center--Provides rental space to a variety of entertainment and promotional lessors, and sponsors the annual State Fair.
- Industrial Commission--Administers and enforces the employment laws of the State, including the regulation of workers' compensation.
- Other Enterprise Funds--Consist of Arizona Highway Magazine, Historical Society Magazine, Geological Survey Printing, Arizona Correctional Industries, Blind Industries, Mines and Mineral Resources Printing, Solar Energy Support, Game and Fish Publications, Gift Shop, Land Resource Analysis, State Park Publications, Real Estate Printing, and Education Commodity Funds.

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NOTE 13. (CONTINUED)

Segment information for the fiscal year ended June 30, 1989 (December 31, 1988 for State Compensation) is shown below (expressed in thousands).

DESCRIPTION	STATE COMPENSATION	INDUSTRIAL COMMISSION	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY
Operating Revenues:				
Taxes	$ -	$ 26,136	$ -	$ -
Other	197,695	2,508	111,898	15,993
Operating Expenses:				
Depreciation	2,007	685	6,481	129
Other	240,781	17,526	100,424	15,973
Operating Income (Loss)	(45,093)	10,433	4,993	(109)
Non-Operating Revenues (Expenses)	65,195	10,694	(863)	302
Total Other Financing Sources (Uses)	-	(9,422)	-	-
Net Income (Loss)	$ 20,102	$ 11,705	$ 4,130	$ 193
Current Assets	$ 57,359	$ 12,795	$ 38,497	$ 10,905
Current Liabilities	215,208	83,671	11,713	3,288
Net Working Capital	$ (157,849)	$ (70,876)	$ 26,784	$ 7,617
Property and Equipment July 1, 1988 (January 1, 1988 for State Compensation)	$ 45,359	$ 16,874	$ 76,032	$ 742
Additions	2,684	12	8,151	25
Deletions	(134)	-	(97)	-
Property and Equipment June 30, 1989 (December 31, 1988 for State Compensation)	$ 47,909	$ 16,886	$ 84,086	$ 767
Revenue Bonds	$ -	$ -	$ 26,650	$ 89,820
Certificates of Participation	$ -	$ 17,000	$ -	$ -
Contributed Capital	$ -	$ -	$ -	$ 9
Total Assets	$ 746,455	$ 148,948	$ 103,953	$ 98,646
Total Liabilities	677,561	100,671	40,780	93,108
Fund Equity	$ 68,894	$ 48,277	$ 63,173	$ 5,538

LOTTERY	COLISEUM AND EXPOSITION CENTER	OTHER ENTERPRISE FUNDS	TOTAL
$ -	$ -	$ -	$ 26,136
252,259	10,654	20,271	611,278
279	464	857	10,902
185,282	10,413	22,780	593,179
66,698	(223)	(3,366)	33,333
-	1,159	850	77,337
(66,351)	-	2,176	(73,597)
$ 347	$ 936	$ (340)	$ 37,073
$ 20,291	$ 9,604	$ 15,357	$ 164,808
16,311	517	5,474	336,182
$ 3,980	$ 9,087	$ 9,883	$(171,374)
$ 6,090	$ 14,729	$ 11,689	$ 171,515
520	811	972	13,175
(74)	(5)	(447)	(757)
$ 6,536	$ 15,535	$ 12,214	$ 183,933
$ -	$ 2,180	$ -	$ 118,650
$ -	$ -	$ -	$ 17,000
$ -	$ 894	$ 4,966	$ 5,869
$ 25,429	$ 17,287	$ 21,964	$1,162,682
16,549	2,811	5,825	937,305
$ 8,880	$ 14,476	$ 16,139	$ 225,377

NOTE 14. COMMITMENTS, CONTINGENCIES AND COMPLIANCE

A. INSURANCE LOSSES

The State is self-insured for most risk exposures, and maintains co-insurance for certain risks in excess of certain amounts including airport liability, boiler and machinery coverage, nuclear liability, and foreign corporation excess liability. The Risk Management Division of the Department of Administration administers the State self-insurance program. According to a study performed by an independent consulting actuary, liabilities for losses incurred but not paid, including losses not yet reported, are estimated to be $155.6 million at June 30, 1989. This amount has been accrued as a liability in the Internal Service Fund on the balance sheet.

B. LITIGATION

Due to a decision of the United States Supreme Court in 1989, the State is a defendant in litigation regarding individual income taxes paid on Federal pensions. Estimates of the State's liability have ranged from $100-250 million; however, a reasonable estimate cannot be made at this time. The State's liability would be determined by the total amount of amended tax returns requesting refunds of the taxes previously paid.

Included in accounts payable on the balance sheet are cases which were settled but not paid as of June 30, 1989 involving eminent domain settlements for DOT projects. The State is also a defendant in a number of other pending lawsuits. All losses for any unsettled litigation or contingencies are determined on an actuarial basis and included in the Insurance Loss Liabilities of the Internal Service Funds.

C. FOOD STAMPS

DES is required by the U.S. Department of Agriculture to maintain an inventory of food stamps. The redemption value of food stamp inventory at June 30, 1989, was $53.6 million and does not otherwise appear in the financial statements because the State acts as an agent for the U.S. Government in food stamp distribution. During fiscal year 1988-89, DES distributed $168.8 million in food stamps for the U.S. Government to eligible Arizona Citizens.

D. COMPONENT UNIT AUDITS

Two of the three State universities, the four State pension plans and certain State agencies are audited by independent public accountants. Copies of these audits, as well as audits performed by the State Auditor General, are available from the State Library and Archives.

NOTE 14. (CONTINUED)

E. ACCUMULATED SICK LEAVE

Sick leave benefits (see Note 7) are cumulative, but do not vest with employees; thus, they are not accrued. Employees forfeit all accumulated sick leave upon termination prior to retirement. Employees with 1,000 or more hours of sick leave upon retirement receive $750 in accordance with ARS 38-615. Unused accumulated sick leave of employees of the State at June 30, 1989 totaled $76.3 million.

F. UNCLAIMED PROPERTY

The State of Arizona's Uniform Unclaimed Property Act requires deposit of certain unclaimed assets into a managed Agency Fund. Per A.R.S. 44-323 a separate trust fund of not less that $100,000 is required to be retained for prompt payment of claims. The excess amount, above that which is required to be retained, is required to be deposited to the General Fund where it is included as Other Revenue. Amounts remitted to the General Fund during fiscal year 1989 total $2,832,000. A total of approximately $21,933,000 has been remitted since inception of the fund. In addition, the State is also holding contents of safe deposit boxes valued at $70,000 and stock valued at $1,800,000. The remittances to the General Fund and the holdings by the State represent contingencies, as claims for refunds can be made by the owners of the property.

Effective September 15, 1989 the Uniform Unclaimed Property Act was amended such that during Fiscal Year 1989-90, the amount of unclaimed property increased to approximately $40,000,000.

NOTE 15. SUBSEQUENT EVENTS

A. TRANSPORTATION BONDS

In August 1989, the Department of Transportation issued the 1989 Series A, State of Arizona Transportation Excise Tax Revenue Bonds ($360,000,000 principal amount) as follows: 1989 Series A, Serial Bonds ($233,535,000 principal amount) due July 1, 1990 through 2001, and 1989 Series A, Term Bonds ($126,465,000 principal amount) due July 1, 2005. The 1989 Series A, Serial Bonds maturing on and after July 1, 2000 are callable for optional redemption prior to their stated maturity dates on or after July 1, 1999, in any order, in whole or in part, and the 1989 Series A, Term Bonds maturing on July 1, 2005 are subject to mandatory sinking fund redemption in 2002 to 2005.

B. CERTIFICATES OF PARTICIPATION

In December 1989, the Department of Game and Fish issued Certificates of Participation (COPs) for $12.2 million at interest rates which vary from 5.8% to 7% and mature in the year 2010. The COPs were issued for the acquisition and construction of five buildings.

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COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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GENERAL FUND

STATE OF ARIZONA
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
GENERAL FUND
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	GENERAL OPERATIONS	FEDERAL GRANTS	OTHER APPROPRIATIONS	OTHER NON-APPROPRIATIONS	TOTAL
Current Assets:					
Cash and investments	$ 35,824	$ 33,598	$ 25,296	$ 10,105	$ 104,823
Receivables, net of allowances:					
Taxes	678,654	-	-	-	678,654
Interest	-	13	268	18	299
Other	6,384	914	1,695	1,217	10,210
Due from U.S. Government	-	5,452	31,059	-	36,511
Due from local governments	5,740	-	198	-	5,938
Due from other Funds	19,804	2,570	2,462	547	25,383
Inventories, at cost	5,328	247	-	47	5,622
Other	207	35	2,466	-	2,708
Total Current Assets	751,941	42,829	63,444	11,934	870,148
Long-term receivables	1,757	-	-	-	1,757
Total Assets	$ 753,698	$ 42,829	$ 63,444	$ 11,934	$ 871,905
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts payable	$ 36,144	$ 11,715	$ 8,838	$ 1,637	$ 58,334
Accrued expenses	16,183	4,438	818	2,783	24,222
Tax refunds payable	165,214	-	-	-	165,214
Due to U.S. Government	18	-	-	-	18
Due to local governments	508,305	-	-	11	508,316
Due to other Funds	9,400	39	2,199	-	11,638
Deferred revenue	58,858	3,393	36	-	62,287
Current portion of insurance losses	-	-	91,651	-	91,651
Other	29,713	220	4,115	130	34,178
Total Liabilities	823,835	19,805	107,657	4,561	955,858
Fund Balance:					
Appropriated:					
Reserved	49,256	356	3,184	80	52,876
Unreserved:					
Restricted	-	-	-	-	-
Unrestricted:					
Designated	-	-	-	-	-
Undesignated	(119,393)	22,668	(47,397)	-	(144,122)
Non-Appropriated	-	-	-	7,293	7,293
Total Fund Balances	(70,137)	23,024	(44,213)	7,373	(83,953)
Total Liabilities and Fund Balances	$ 753,698	$ 42,829	$ 63,444	$ 11,934	$ 871,905

STATE OF ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	GENERAL OPERATIONS	FEDERAL GRANTS	OTHER APPROPRIATIONS	OTHER NON-APPROPRIATIONS	ELIMINATIONS	TOTAL
REVENUES:						
Taxes:						
Sales	$1,761,829	$ -	$ -	$ -	$ -	$ 1,761,829
Income	1,146,342	-	-	-	-	1,146,342
Motor vehicle and fuel	69,585	-	-	-	-	69,585
Property	88,626	-	-	-	-	88,626
Other	184,760	-	-	-	-	184,760
Intergovernmental	2,910	530,884	320,104	2,067	-	855,965
Licenses, fees and permits	31,397	-	68	702	-	32,167
Earnings on investments	31,027	69	278	156	-	31,530
Sales and charges for services	6,375	1,277	(56)	288	-	7,884
Fines, forfeitures and penalties	3,575	1	1	1,542	-	5,119
Other	15,410	1,285	4,694	1,759	-	23,148
Total Revenues	3,341,836	533,516	325,089	6,514	-	4,206,955
EXPENDITURES:						
Current:						
General government	731,219	11,402	14,979	724	-	758,324
Health and welfare	368,048	312,698	586,557	3,202	-	1,270,505
Inspection and regulation	33,214	1,024	1	-	-	34,239
Education	1,224,679	171,882	417	14,365	-	1,411,343
Protection and safety	309,599	20,174	1,816	730	-	332,319
Transportation	3,151	-	-	-	-	3,151
Natural resources	31,392	1,961	156	22	-	33,531
Total Expenditures	2,701,302	519,141	603,926	19,043	-	3,843,412
Revenues Over (Under) Expenditures	640,534	14,375	(278,837)	(12,529)	-	363,543
OTHER FINANCING SOURCES (USES):						
Operating transfers in	69,699	800	271,770	14,808	(256,418)	100,659
Operating transfers out	(769,992)	(1,569)	(2,528)	(21)	256,418	(517,692)
Other financing sources (uses)	(6,184)	61	5	179	-	(5,939)
Total Other Financing Sources (Uses)	(706,477)	(708)	269,247	14,966	-	(422,972)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(65,943)	13,667	(9,590)	2,437	-	(59,429)
Fund Balances, July 1, 1988	(4,194)	9,357	(34,623)	4,936	-	(24,524)
Fund Balances, June 30, 1989	$ (70,137)	$ 23,024	$ (44,213)	$ 7,373	$ -	$ (83,953)

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SPECIAL REVENUE FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	GENERAL GOVERNMENT	HEALTH & WELFARE	INSPECTION & REGULATION	EDUCATION
Cash and investments	$ 10,999	$ 6,881	$ 23,448	$ 676
Receivables, net of allowances:				
Taxes	295	93	-	-
Interest	22	42	60	2
Other	197	65	272	15
Due from U.S. Government	1	-	229	-
Due from local governments	-	-	-	3
Due from other Funds	200	389	-	-
Inventories, at cost	-	-	25	104
Other	1	-	3	3
Total Assets	$ 11,715	$ 7,470	$ 24,037	$ 803
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 83	$ 500	$ 1,765	$ 22
Accrued expenses	67	56	831	15
Due to local governments	-	-	-	-
Due to other Funds	269	574	1,681	2
Deferred revenue	103	-	58	-
Other	-	3	10	2
Total Liabilities	522	1,133	4,345	41
Fund Balances:				
Reserved	1,539	5	764	116
Unreserved	9,654	6,332	18,928	646
Total Fund Balances	11,193	6,337	19,692	762
Total Liabilities and Fund Balances	$ 11,715	$ 7,470	$ 24,037	$ 803

PROTECTION & SAFETY	TRANSPORTATION	NATURAL RESOURCES	TOTAL
$ 9,907	$ 323,550	$ 27,265	$ 402,726
-	60,429	-	60,817
-	3,588	288	4,002
86	2,313	1,729	4,677
-	22,712	878	23,820
-	38	-	41
-	60,196	-	60,785
-	1,817	62	2,008
-	24	9	40
$ 9,993	$ 474,667	$ 30,231	$ 558,916
$ 722	$ 71,116	$ 801	$ 75,009
48	1,475	713	3,205
-	58,095	-	58,095
101	1,627	1,042	5,296
-	196	-	357
4	6,340	4	6,363
875	138,849	2,560	148,325
140	567,346	1,387	571,297
8,978	(231,528)	26,284	(160,706)
9,118	335,818	27,671	410,591
$ 9,993	$ 474,667	$ 30,231	$ 558,916

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	GENERAL GOVERNMENT	HEALTH & WELFARE	INSPECTION & REGULATION	EDUCATION
REVENUES:				
Taxes:				
Sales	$ 3,686	$ 7,106	$ -	$ -
Income	-	262	-	-
Motor vehicle and fuel	-	-	-	-
Property	-	-	-	-
Other	1,299	-	1,984	-
Intergovernmental	2,390	955	1,990	1,106
Licenses, fees and permits	246	301	22,125	269
Earnings on investments	107	166	211	106
Sales and charges for services	778	3,007	580	267
Fines, forfeitures and penalties	9,062	2,423	458	-
Other	1,133	1,889	168	259
Total Revenues	18,701	16,109	27,516	2,007
EXPENDITURES:				
General government	17,719	-	-	-
Health and welfare	-	14,290	-	-
Inspection and regulation	-	-	37,501	-
Education	-	-	-	1,696
Protection and safety	-	-	-	-
Transportation	-	-	-	-
Natural resources	-	-	-	-
Total Expenditures	17,719	14,290	37,501	1,696
Revenues Over (Under) Expenditures	982	1,819	(9,985)	311
OTHER FINANCING SOURCES (USES):				
Operating transfers in	200	146	10,879	-
Operating transfers out	(51)	(1)	(1,298)	-
Other financing sources	30	255	199	-
Total Other Financing Sources	179	400	9,780	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,161	2,219	(205)	311
Fund Balances, July 1, 1988	10,032	4,118	19,897	451
Fund Balances, June 30, 1989	$ 11,193	$ 6,337	$ 19,692	$ 762

PROTECTION & SAFETY	TRANSPORTATION	NATURAL RESOURCES	TOTAL
$ -	$ 56,235	$ -	$ 67,027
-	-	-	262
-	454,681	-	454,681
-	7,853	975	8,828
-	34,833	-	38,116
2,309	184,805	6,049	199,604
-	153,079	17,787	193,807
-	23,231	1,667	25,488
1,670	4	47	6,353
8,710	-	352	21,005
370	26,913	894	31,626
13,059	941,634	27,771	1,046,797
-	-	-	17,719
-	-	-	14,290
-	-	-	37,501
-	-	-	1,696
27,440	-	-	27,440
-	888,312	-	888,312
-	-	26,715	26,715
27,440	888,312	26,715	1,013,673
(14,381)	53,322	1,056	33,124
2,500	15,911	6,090	35,726
(3)	(48,721)	(520)	(50,594)
308	1	64	857
2,805	(32,809)	5,634	(14,011)
(11,576)	20,513	6,690	19,113
20,694	315,305	20,981	391,478
$ 9,118	$ 335,818	$ 27,671	$ 410,591

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DEBT SERVICE FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	DEPARTMENT OF TRANSPORTATION	CERTIFICATES OF PARTICIPATION	TOTAL
Cash and investments	$ 14,487	$ -	$ 14,487
Interest receivable	499	-	499
Due from other Funds	75	-	75
Total Assets	$ 15,061	$ -	$ 15,061
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ -
Accrued expenses	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserved	15,061	-	15,061
Unreserved	-	-	-
Total Fund Balances	15,061	-	15,061
Total Liabilities and Fund Balances	$ 15,061	$ -	$ 15,061

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION	CERTIFICATES OF PARTICIPATION	TOTAL
REVENUES:			
Sales Taxes	$ 50,812	$ -	$ 50,812
Earnings on investments	4,719	1,021	5,740
Total Revenues	55,531	1,021	56,552
EXPENDITURES:			
Transportation	25	-	25
Principal	40,360	1,410	41,770
Interest and other fiscal charges	57,597	5,464	63,061
Total Expenditures	97,982	6,874	104,856
Revenues (Under) Expenditures	(42,451)	(5,853)	(48,304)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	48,721	5,853	54,574
Operating transfers out	(15,911)	-	(15,911)
Total Other Financing Sources	32,810	5,853	38,663
Revenues and Other Sources (Under) Expenditures	(9,641)	-	(9,641)
Fund Balances, July 1, 1988	24,702	-	24,702
Fund Balances, June 30, 1989	$ 15,061	$ -	$ 15,061

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CAPITAL PROJECTS FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	DEPARTMENT OF TRANSPORTATION FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	OTHER CAPITAL PROJECTS FUNDS	TOTAL
Cash and investments	$ 196,900	$ -	$ 38,433	$ 235,333
Receivables, net of allowances:				
Taxes	-	-	2,072	2,072
Interest	3,719	-	139	3,858
Other	512	-	807	1,319
Total Assets	$ 201,131	$ -	$ 41,451	$ 242,582
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 19,791	$ -	$ 1,266	$ 21,057
Accrued expenses	11	-	26	37
Due to other Funds	59,826	-	117	59,943
Other	2,143	-	-	2,143
Total Liabilities	81,771	-	1,409	83,180
Fund Balances:				
Reserved	-	-	32,852	32,852
Unreserved	119,360	-	7,190	126,550
Total Fund Balances	119,360	-	40,042	159,402
Total Liabilities and Fund Balances	$ 201,131	$ -	$ 41,451	$ 242,582

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	DEPARTMENT OF TRANSPORTATION FINANCED	CERTIFICATES OF PARTICIPATION FINANCED	OTHER CAPITAL PROJECTS FUNDS	TOTAL
REVENUES:				
Taxes:				
Motor vehicle and fuel	$ -	$ -	$ 2,297	$ 2,297
Property	-	-	88	88
Other	-	-	22,275	22,275
Intergovernmental	-	-	1	1
Licenses, fees and permits	-	-	2,237	2,237
Earnings on investments	21,495	-	801	22,296
Sales and charges for services	-	-	-	-
Other	-	-	809	809
Total Revenues	21,495	-	28,508	50,003
EXPENDITURES:				
Capital outlay	262,833	12,113	9,367	284,313
Revenues Over (Under) Expenditures	(241,338)	(12,113)	19,141	(234,310)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	617	617
Operating transfers out	-	(2,173)	(2,500)	(4,673)
Other financing sources (uses)	121,827	14,286	563	136,676
Total Other Financing Sources (Uses)	121,827	12,113	(1,320)	132,620
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(119,511)	-	17,821	(101,690)
Fund Balances, July 1, 1988	238,871	-	22,221	261,092
Fund Balances, June 30, 1989	$ 119,360	$ -	$ 40,042	$ 159,402

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ENTERPRISE FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1989
(EXCEPT STATE COMPENSATION, DECEMBER 31, 1988)
(Expressed in Thousands)

ASSETS	STATE COMPENSATION	INDUSTRIAL COMMISSION	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY
Current Assets:				
Cash and investments	$ 11,814	$ 739	$ 16,008	$ 6,614
Cash held by trustee	-	2,836	2,195	-
Receivables, net of allowances:				
Taxes	-	4,941	-	-
Interest	12,099	2,945	-	1,570
Other	33,446	36	17,162	2,293
Due from other Funds	-	1,298	-	-
Inventories, at cost	-	-	2,342	-
Other	-	-	790	428
Total Current Assets	57,359	12,795	38,497	10,905
Long-term Assets:				
Investments	648,639	120,886	335	6,000
Investments held by trustee	-	-	-	57,146
Other	-	-	2,689	24,292
Fixed assets:				
Property and equipment	47,909	16,886	84,086	767
Less: accumulated depreciation	(7,452)	(1,619)	(21,654)	(464)
Total Long-term Assets	689,096	136,153	65,456	87,741
Total Assets	$ 746,455	$ 148,948	$ 103,953	$ 98,646
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts payable	$ 12,781	$ 18	$ 6,690	$ -
Accrued expenses	-	-	3,987	-
Due to other Funds	700	-	-	-
Deferred revenue	26,817	-	-	-
Current portion of insurance losses	140,000	83,453	-	-
Current portion of long-term debt	-	200	1,036	-
Other	34,910	-	-	3,288
Total Current Liabilities	215,208	83,671	11,713	3,288
Long-term Liabilities:				
Accrued compensated absences	-	-	-	-
Accrued insurance losses	462,353	-	1,300	-
Long-term debt:				
Revenue bonds	-	-	26,650	89,820
Certificates of participation	-	17,000	-	-
Leases and installment purchases	-	-	834	-
Other	-	-	283	-
Total Long-term Liabilities	462,353	17,000	29,067	89,820
Total Liabilities	677,561	100,671	40,780	93,108
Fund Equity:				
Contributed capital	-	-	-	9
Retained earnings	68,894	48,277	63,173	5,529
Total Fund Equity	68,894	48,277	63,173	5,538
Total Liabilities and Fund Equity	$ 746,455	$ 148,948	$ 103,953	$ 98,646

LOTTERY	COLISEUM & EXPOSITION CENTER	OTHER ENTERPRISE FUNDS	TOTAL
$ 13,139	$ 9,240	$ 8,047	$ 65,601
-	-	-	5,031
-	-	-	4,941
39	112	57	16,822
6,716	149	1,678	61,480
-	-	-	1,298
358	-	5,320	8,020
39	103	255	1,615
20,291	9,604	15,357	164,808
-	-	-	775,860
-	-	-	57,146
-	6	-	26,987
6,536	15,535	12,214	183,933
(1,398)	(7,858)	(5,607)	(46,052)
5,138	7,683	6,607	997,874
$ 25,429	$ 17,287	$ 21,964	$ 1,162,682
$ 802	$ 72	$ 1,046	$ 21,409
49	140	142	4,318
7,113	-	19	7,832
-	-	4,064	30,881
-	-	-	223,453
-	-	191	1,427
8,347	305	12	46,862
16,311	517	5,474	336,182
238	114	236	588
-	-	-	463,653
-	2,180	-	118,650
-	-	-	17,000
-	-	35	869
-	-	80	363
238	2,294	351	601,123
16,549	2,811	5,825	937,305
-	894	4,966	5,869
8,880	13,582	11,173	219,508
8,880	14,476	16,139	225,377
$ 25,429	$ 17,287	$ 21,964	$ 1,162,682

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(EXCEPT STATE COMPENSATION, FOR THE YEAR ENDED DECEMBER 31, 1988)
(Expressed in Thousands)

	STATE COMPENSATION	INDUSTRIAL COMMISSION	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY
OPERATING REVENUES:				
Sales and charges for services:				
Lottery	$ -	$ -	$ -	$ -
Other	193,699	-	99,448	15,993
Taxes	-	26,136	-	-
Other	3,996	2,508	12,450	-
Total Operating Revenues	197,695	28,644	111,898	15,993
OPERATING EXPENSES:				
Cost of sales and benefits	205,861	14,482	20,137	15,260
Personal services	15,323	-	49,189	713
Contractual services	-	168	18,673	-
Aid to local governments	-	-	-	-
Depreciation and amortization	2,007	685	6,481	129
Insurance	-	-	3,176	-
Other	19,597	2,876	9,249	-
Total Operating Expenses	242,788	18,211	106,905	16,102
Operating Income (Loss)	(45,093)	10,433	4,993	(109)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	65,195	12,317	768	5,985
Interest expense	-	(731)	(1,650)	(5,623)
Other	-	(892)	19	(60)
Total Non-operating Revenues (Expenses)	65,195	10,694	(863)	302
Income (Loss) Before Other Financing Sources (Uses)	20,102	21,127	4,130	193
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	1,457	-	-
Operating transfers out	-	(10,879)	-	-
Net Income (Loss)	20,102	11,705	4,130	193
Retained Earnings, July 1, 1988	48,792	36,572	59,043	5,336
Retained Earnings, June 30, 1989	$ 68,894	$ 48,277	$ 63,173	$ 5,529

LOTTERY	COLISEUM & EXPOSITION CENTER	OTHER ENTERPRISE FUNDS	TOTAL
$ 252,007	$ -	$ -	$ 252,007
-	8,886	19,008	337,034
-	-	-	26,136
252	1,768	1,263	22,237
252,259	10,654	20,271	637,414
149,432	2,779	15,425	423,376
4,033	4,512	3,673	77,443
109	1,404	542	20,896
30,650	-	4	30,654
279	464	857	10,902
-	689	127	3,992
1,058	1,029	3,009	36,818
185,561	10,877	23,637	604,081
66,698	(223)	(3,366)	33,333
-	628	8	84,901
-	(101)	(47)	(8,152)
-	632	889	588
-	1,159	850	77,337
66,698	936	(2,516)	110,670
-	-	2,182	3,639
(66,351)	-	(6)	(77,236)
347	936	(340)	37,073
8,533	12,646	11,513	182,435
$ 8,880	$ 13,582	$ 11,173	$ 219,508

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(EXCEPT STATE COMPENSATION, FOR THE YEAR ENDED DECEMBER 31, 1988)
(Expressed in Thousands)

	STATE COMPENSATION	INDUSTRIAL COMMISSION	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	$ (45,093)	$ 10,433	$ 4,993	$ (109)
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation	2,007	685	6,481	33
Amortization of investment (premium) and discount	(14,875)	(145)	(50)	511
Net (gain) loss on sale of investment	(350)	892	717	-
Dividends to policyholders	(28,256)	-	-	-
Gain on retirement of revenue bonds	-	-	-	-
Amortization of bond issuance costs	-	-	-	96
Total Adjustments	(41,474)	1,432	7,148	640
Changes in Assets and Liabilities:				
(Increase) decrease in receivables, net of allowances	(6,013)	(872)	5,949	(820)
Increase in other long-term assets	-	-	-	(8,702)
Increase in due from other Funds	-	(605)	-	-
(Increase) decrease in inventories, at cost	-	-	210	-
(Increase) decrease in other current assets	-	-	(570)	(427)
Increase (decrease) in accounts payable	2,080	18	(1,087)	380
Increase (decrease) in accrued expenses	-	-	(762)	-
Decrease in due to other Funds	-	-	-	-
Increase in deferred revenue	2,638	-	-	-
Increase (decrease) in other current liabilities	-	-	-	-
Increase (decrease) in compensated absences	-	-	-	-
Increase in long-term insurance losses	89,692	-	1,300	-
Increase in other long-term liabilities	-	-	188	-
Net Changes in Assets and Liabilities	88,397	(1,459)	5,228	(9,569)
Net Cash Provided (Used) by Operating Activities	1,830	10,406	17,369	(9,038)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Interest expense	-	-	(1,650)	(5,623)
Other non-operating revenues (expenses)	-	-	-	(60)
Operating transfers in	-	1,457	-	-
Operating transfers out	-	(10,879)	-	-
Residual equity transfer	-	-	-	-
Net repayments under line-of-credit agreements	-	-	(778)	-
Net Cash Used by Non-capital Financing Activities	$ -	$ (9,422)	$ (2,428)	$ (5,683)

LOTTERY	COLISEUM & EXPOSITION CENTER	OTHER ENTERPRISE FUNDS	TOTAL
$ 66,698	$ (223)	$ (3,366)	$ 33,333
279	463	857	10,805
-	1	-	(14,558)
-	-	-	1,259
-	-	-	(28,256)
-	9	-	9
-	-	-	96
279	473	857	(30,645)
(415)	(9)	587	(1,593)
-	-	-	(8,702)
-	-	-	(605)
(71)	-	575	714
10	(69)	2	(1,054)
(41)	(55)	18	1,313
(15)	(10)	64	(723)
(3,387)	-	(2)	(3,389)
-	-	359	2,997
1,458	291	(3)	1,746
46	(10)	11	47
-	-	-	90,992
-	-	-	188
(2,415)	138	1,611	81,931
64,562	388	(898)	84,619
-	-	(47)	(7,320)
-	623	8	571
-	-	2,182	3,639
(66,351)	-	(6)	(77,236)
(3,000)	(1,000)	(6,254)	(10,254)
-	-	-	(778)
$ (69,351)	$ (377)	$ (4,117)	$ (91,378)

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(EXCEPT STATE COMPENSATION, FOR THE YEAR ENDED DECEMBER 31, 1988)
(CONTINUED)
(Expressed in Thousands)

	STATE COMPENSATION	INDUSTRIAL COMMISSION	UNIVERSITY MEDICAL CENTER	ARIZONA POWER AUTHORITY
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	$ (2,684)	$ (477)	$ (8,098)	$ (27)
Retirement of revenue bonds principal	-	-	-	-
Interest payments under certificates of participation or bonds	-	(731)	-	-
Principal payments under leases and installment purchases	-	(300)	(531)	-
Borrowings under leases and installment purchases	-	-	1,215	-
Proceeds from other long-term debt	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,684)	(1,508)	(7,414)	(27)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	32,516	33,500	-	9,472
Purchase of investments	(94,545)	(44,623)	-	(3,000)
Interest and dividends on investments	65,195	12,172	769	5,985
Net Cash Provided by Investing Activities	3,166	1,049	769	12,457
Net Increase (Decrease) in Cash and Short-term Investments	2,312	525	8,296	(2,291)
Cash and Short-term Investments, July 1, 1988	9,502	3,050	9,907	8,905
Cash and Short-term Investments, June 30, 1989	$ 11,814	$ 3,575	$ 18,203	$ 6,614

LOTTERY	COLISEUM & EXPOSITION CENTER	OTHER ENTERPRISE FUNDS	TOTAL
$ (520)	$ (806)	$ (580)	$ (13,192)
-	(170)	-	(170)
-	(101)	-	(832)
-	-	(181)	(1,012)
			1,215
-	-	8	8
(520)	(1,077)	(753)	(13,983)
-	-	-	75,488
-	-	-	(142,168)
-	628	889	85,638
-	628	889	18,958
(5,309)	(438)	(4,879)	(1,784)
18,448	9,678	12,926	72,416
$ 13,139	$ 9,240	$ 8,047	$ 70,632

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INTERNAL SERVICE FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	WORKERS' COMPENSATION	DATA PROCESSING
Current Assets:				
Cash and investments	$ 11,248	$ 8,729	$ 4,958	$ 1,812
Receivables, net of allowances:				
Interest	187	415	67	-
Other	-	357	-	85
Due from local governments	-	-	-	-
Due from other Funds	-	1,555	700	1,826
Inventories, at cost	-	2,652	-	-
Other	1,590	-	-	-
Total Current Assets	13,025	13,708	5,725	3,723
Fixed Assets:				
Property and equipment	188	55,090	9	12,983
Less: accumulated depreciation	(17)	(25,312)	-	(4,858)
Total Fixed Assets	171	29,778	9	8,125
Total Assets	$ 13,196	$ 43,486	$ 5,734	$ 11,848
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts payable	$ 1,497	$ 2,753	$ 1,019	$ 121
Accrued expenses	111	77	9	345
Due to other funds	266	48	-	-
Deferred revenue	-	-	-	608
Current portion of long-term debt	-	-	-	1,140
Other	-	-	-	-
Total Current Liabilities	1,874	2,878	1,028	2,214
Long-term Liabilities:				
Accrued compensated absences	-	298	-	-
Accrued insurance losses	109,044	-	46,595	-
Leases and installment purchases	-	-	-	3,193
Total Long-term Liabilities	109,044	298	46,595	3,193
Total Liabilities	110,918	3,176	47,623	5,407
Fund Equity:				
Contributed capital	-	5,549	-	687
Retained earnings	(97,722)	34,761	(41,889)	5,754
Total Fund Equity	(97,722)	40,310	(41,889)	6,441
Total Liabilities and Fund Equity	$ 13,196	$ 43,486	$ 5,734	$ 11,848

TELECOMMUNICATIONS	MOTOR POOL	OTHER INTERNAL SERVICE FUNDS	TOTAL
$ 244	$ 1,626	$ 1,620	$ 30,237
-	-	17	686
-	-	37	479
-	-	103	103
1,761	803	1,048	7,693
-	-	443	3,095
-	-	38	1,628
2,005	2,429	3,306	43,921
8,564	9,404	1,144	87,382
(491)	(4,363)	(483)	(35,524)
8,073	5,041	661	51,858
$ 10,078	$ 7,470	$ 3,967	$ 95,779
$ 1,894	$ 292	$ 8	$ 7,584
44	46	203	835
-	14	4	332
-	-	-	608
654	-	31	1,825
-	-	352	352
2,592	352	598	11,536
-	-	226	524
-	-	-	155,639
6,458	-	55	9,706
6,458	-	281	165,869
9,050	352	879	177,405
333	6,451	99	13,119
695	667	2,989	(94,745)
1,028	7,118	3,088	(81,626)
$ 10,078	$ 7,470	$ 3,967	$ 95,779

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	WORKERS' COMPENSATION	DATA PROCESSING
OPERATING REVENUES:				
Sales and charges for services	$ 37,596	$ 21,354	$ 12,323	$ 9,271
Other	877	408	3	21
Total Operating Revenues	38,473	21,762	12,326	9,292
OPERATING EXPENSES:				
Costs of sales and benefits	-	8,943	-	2,513
Personal services	1,305	6,188	193	4,785
Contractual services	7,066	163	278	345
Aid to local governments	-	-	-	-
Depreciation and amortization	24	5,045	-	1,777
Insurance	1,950	625	8,093	30
Other	984	465	51	641
Total Operating Expenses	11,329	21,429	8,615	10,091
Operating Income (Loss)	27,144	333	3,711	(799)
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	1,901	794	423	-
Interest Expense	-	-	-	-
Other	-	(584)	-	-
Total Non-operating Revenues (Expenses)	1,901	210	423	-
Income (Loss) Before Other Financing Sources (Uses)	29,045	543	4,134	(799)
OTHER FINANCING SOURCES (USES):				
Operating transfers out	-	-	-	-
Other financing sources (uses)	-	179	-	(416)
Net Income (Loss)	29,045	722	4,134	(1,215)
Retained Earnings, July 1, 1988	(126,767)	34,039	(46,023)	6,969
Retained Earnings, June 30, 1989	$ (97,722)	$ 34,761	$ (41,889)	$ 5,754

TELECOMMUNICATIONS	MOTOR POOL	OTHER INTERNAL SERVICE FUNDS	TOTAL
$ 8,675	$ 3,387	$ 7,821	$ 100,427
2	22	1,879	3,212
8,677	3,409	9,700	103,639
8,123	877	1,159	21,615
611	568	4,893	18,543
38	28	328	8,246
-	-	303	303
483	1,543	180	9,052
5	249	23	10,975
499	200	1,643	4,483
9,759	3,465	8,529	73,217
(1,082)	(56)	1,171	30,422
-	-	10	3,128
-	-	(2)	(2)
-	-	6	(578)
-	-	14	2,548
(1,082)	(56)	1,185	32,970
-	-	(107)	(107)
-	(49)	-	(286)
(1,082)	(105)	1,078	32,577
1,777	772	1,911	(127,322)
$ 695	$ 667	$ 2,989	$ (94,745)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	WORKERS' COMPENSATION	DATA PROCESSING
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 27,144	$ 333	$ 3,711	$ (799)
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation	24	5,045	-	1,777
Total Adjustments	24	5,045	-	1,777
Changes in Assets and Liabilities:				
(Increase) decrease in receivables, net of allowances	(187)	(75)	(67)	370
(Increase) decrease in due from other Funds	-	455	617	1,608
Increase in inventories, at cost	-	(34)	-	-
Increase in other current assets	(447)	-	-	-
Increase (decrease) in accounts payable	109	2,070	435	(477)
Increase (decrease) in accrued expenses	15	(125)	7	34
Increase (decrease) in due to other Funds	266	(48)	-	-
Decrease in deferred revenue	-	-	-	(258)
Increase in other current liabilities -	-	-	-	-
Increase (decrease) in compensated absences	-	(22)	-	-
Decrease in long-term insurance losses	(17,230)	-	(1,618)	-
Net Changes in Assets and Liabilities	(17,474)	2,221	(626)	1,277
Net Cash Provided (Used) by Operating Activities	9,694	7,599	3,085	2,255
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Interest expense	-	-	-	-
Operating transfers out	-	-	-	-
Residual equity transfer	(7,200)	(4,487)	(2,800)	-
Net Cash Used by Non-capital Financing Activities	(7,200)	(4,487)	(2,800)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	(26)	(4,017)	(4)	(1,020)
Principal payments under leases and installment purchases	(2)	-	-	(987)
Borrowings under leases and installment purchases	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	$ (28)	$ (4,017)	$ (4)	$ (2,007)

TELECOMMUNICATIONS	MOTOR POOL	OTHER INTERNAL SERVICE FUNDS	TOTAL
$ (1,082)	$ (56)	$ 1,171	$ 30,422
483	1,543	180	9,052
483	1,543	180	9,052
-	-	306	347
(791)	(132)	(911)	846
-	-	(443)	(477)
-	-	(38)	(485)
1,284	47	(68)	3,400
-	4	97	32
-	14	4	236
-	-	-	(258)
-	-	113	113
3	-	226	207
-	-	-	(18,848)
496	(67)	(714)	(14,887)
(103)	1,420	637	24,587
-	-	(2)	(2)
-	-	(107)	(107)
-	-	-	(14,487)
-	-	(109)	(14,596)
-	(738)	(221)	(6,026)
(367)	-	(180)	(1,536)
145	-	-	145
$ (222)	$ (738)	$ (401)	$ (7,417)

(Continued)

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(CONTINUED)
(Expressed in Thousands)

	RISK MANAGEMENT	TRANSPORTATION EQUIPMENT	WORKERS' COMPENSATION	DATA PROCESSING
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends on investments	$ 1,901	$ 794	$ 423	$ -
Net Cash Provided by Investing Activities	1,901	794	423	-
Net Increase (Decrease) in Cash and Short-term Investments	4,367	(111)	704	248
Cash and Short-term Investments, July 1, 1988	6,881	8,840	4,254	1,564
Cash and Short-term Investments, June 30, 1989	$ 11,248	$ 8,729	$ 4,958	$ 1,812

TELECOMMUNICATIONS	MOTOR POOL	OTHER INTERNAL SERVICE FUNDS	TOTAL
$ -	$ -	$ 10	$ 3,128
-	-	10	3,128
(325)	682	137	5,702
569	944	1,483	24,535
$ 244	$ 1,626	$ 1,620	$ 30,237

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TRUST AND AGENCY FUNDS

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STATE OF ARIZONA
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	EXPENDABLE TRUSTS	NON-EXPENDABLE TRUSTS	PENSION TRUSTS	AGENCY	TOTAL
Current Assets:					
Cash and investments	$ 539,719	$ 62,243	$ 2,047,930	$ 1,232,876	$ 3,882,768
Receivables, net of allowances:					
Taxes	30,729	-	-	-	30,729
Interest	11,064	7,958	65,648	1,186	85,856
Other	64	2,844	143,491	5,896	152,295
Due from local governments	677	-	-	-	677
Due from other Funds	992	-	-	519	1,511
Inventories, at cost	493	-	-	-	493
Other	-	-	-	213	213
Total Current Assets	583,738	73,045	2,257,069	1,240,690	4,154,542
Long-term Assets:					
Investments	849	370,617	6,370,039	90,001	6,831,506
Receivables, net of allowances	-	34,587	-	-	34,587
Fixed assets:					
Property and equipment	-	1,934	3,236	-	5,170
Less: accumulated depreciation	-	(399)	(259)	-	(658)
Total Long-term Assets	849	406,739	6,373,016	90,001	6,870,605
Total Assets	$ 584,587	$ 479,784	$ 8,630,085	$ 1,330,691	$ 11,025,147
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts payable	$ 3,078	$ 144	$ 457	$ 1,149	$ 4,828
Accrued expenses	96	19	631,698	-	631,813
Due to local governments	-	-	-	794,857	794,857
Due to other Funds	749	6,638	-	2,869	10,256
Deferred revenue	-	9,745	-	-	9,745
Other	1,761	964	-	441,584	444,309
Total Current Liabilities	5,684	17,510	632,155	1,240,459	1,895,808
Long-term Liabilities:					
Accrued compensated absences	-	18	-	-	18
Liabilities to plan investors	-	-	-	90,232	90,232
Total Long-term Liabilities	-	18	-	90,232	90,250
Total Liabilities	5,684	17,528	632,155	1,330,691	1,986,058
Fund Balances, all reserved	578,903	462,256	7,997,930	-	9,039,089
Total Liabilities and Fund Balances	$ 584,587	$ 479,784	$ 8,630,085	$ 1,330,691	$ 11,025,147

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EXPENDABLE TRUST FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	UNEMPLOYMENT COMPENSATION	ENERGY CONSERVATION	OTHER EXPENDABLE TRUSTS	TOTAL
Current Assets:				
Cash and investments	$ 478,543	$ 30,865	$ 30,311	$ 539,719
Receivables, net of allowances:				
Taxes	30,729	-	-	30,729
Interest	10,229	439	396	11,064
Other	-	-	64	64
Due from local governments	677	-	-	677
Due from other Funds	-	-	992	992
Inventories, at cost	-	-	493	493
Total Current Assets	520,178	31,304	32,256	583,738
Long-term Assets:				
Investments	-	-	849	849
Total Assets	$ 520,178	$ 31,304	$ 33,105	$ 584,587
LIABILITIES AND FUND BALANCES				
Liabilities (all current):				
Accounts payable	$ 2,595	$ 151	$ 332	$ 3,078
Accrued expenses	-	22	74	96
Due to other Funds	-	747	2	749
Other	-	-	1,761	1,761
Total Liabilities	2,595	920	2,169	5,684
Fund Balances, all reserved	517,583	30,384	30,936	578,903
Total Liabilities and Fund Balances	$ 520,178	$ 31,304	$ 33,105	$ 584,587

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	UNEMPLOYMENT COMPENSATION	ENERGY CONSERVATION	OTHER EXPENDABLE TRUSTS	TOTAL
REVENUES:				
Taxes:				
Sales	$ -	$ -	$ 1	$ 1
Income	-	-	23	23
Unemployment	120,747	-	-	120,747
Intergovernmental	5,265	1,468	82	6,815
Licenses, fees and permits	-	-	1,796	1,796
Earnings on investments	39,751	2,100	2,028	43,879
Sales and charges for services	-	-	202	202
Fines, forfeitures and penalties	130	-	7,354	7,484
Other	2	-	4,173	4,175
Total Revenues	165,895	3,568	15,659	185,122
EXPENDITURES:				
General government	-	3,961	495	4,456
Health and welfare	130,852	-	9,430	140,282
Inspection and regulation	-	-	2,273	2,273
Education	-	-	301	301
Protection and safety	-	-	1,188	1,188
Transportation	-	-	1	1
Natural resources	-	-	556	556
Total Expenditures	130,852	3,961	14,244	149,057
Revenues Over (Under) Expenditures	35,043	(393)	1,415	36,065
OTHER FINANCING SOURCES (USES):				
Operating transfers in	983	20	15	1,018
Operating transfers out	-	(1,030)	(1)	(1,031)
Other financing sources (Uses)	-	-	245	245
Total Other Financing Sources (Uses)	983	(1,010)	259	232
Revenues and Other Sources Over (Under) Expenditures and Other Uses	36,026	(1,403)	1,674	36,297
Fund Balances, July 1, 1988	481,557	31,787	29,262	542,606
Fund Balances, June 30, 1989	$ 517,583	$ 30,384	$ 30,936	$ 578,903

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NON-EXPENDABLE TRUST FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
NON-EXPENDABLE TRUST FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	LAND ENDOWMENTS	OTHER	TOTAL
Current Assets:			
Cash and investments	$ 61,005	$ 1,238	$ 62,243
Receivables, net of allowances:			
Interest	7,958	-	7,958
Other	2,764	80	2,844
Total Current Assets	71,727	1,318	73,045
Long-term Assets:			
Investments	370,617	-	370,617
Receivables, net of allowances	34,029	558	34,587
Fixed assets:			
Property and equipment	1,934	-	1,934
Less: accumulated depreciation	(399)	-	(399)
Total Long-term Assets	406,181	558	406,739
Total Assets	$ 477,908	$ 1,876	$ 479,784
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable	$ 144	$ -	$ 144
Accrued expenses	19	-	19
Due to other Funds	6,638	-	6,638
Deferred revenue	9,745	-	9,745
Other	963	1	964
Total Current Liabilities	17,509	1	17,510
Long-term Liabilities:			
Accrued compensated absences	18	-	18
Total Liabilities	17,527	1	17,528
Fund Balances, all reserved	460,381	1,875	462,256
Total Liabilities and Fund Balances	$ 477,908	$ 1,876	$ 479,784

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	LAND ENDOWMENTS	OTHER	TOTAL
OPERATING REVENUES:			
Sales and charges for services	$ 26,730	$ -	$ 26,730
Earnings on investments	42,746	2	42,748
Intergovernmental	154	-	154
Other	-	2	2
Total Operating Revenues	69,630	4	69,634
OPERATING EXPENSES:			
Personal services	479	-	479
Contractual services	212	-	212
Aid to local governments	53,186	30	53,216
Depreciation and amortization	383	-	383
Insurance	60	-	60
Other	579	1	580
Total Operating Expenses	54,899	31	54,930
Operating Income	14,731	(27)	14,704
NON-OPERATING REVENUES:			
Other	33,143	-	33,143
Income (Loss) Before Other Financing Sources (Uses)	47,874	(27)	47,847
OTHER FINANCING SOURCES (USES):			
Operating transfers in	19	-	19
Operating transfers out	-	(1)	(1)
Net Income (Loss)	47,893	(28)	47,865
Fund Balances, July 1, 1988	412,488	1,903	414,391
Fund Balances, June 30, 1989	$ 460,381	$ 1,875	$ 462,256

STATE OF ARIZONA
COMBINING STATEMENT OF CASH FLOWS
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	LAND ENDOWMENTS	OTHER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	$ 14,731	$ (27)	$ 14,704
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	383	-	383
Total Adjustments	383	-	383
Changes in Assets and Liabilities:			
(Increase) decrease in receivables, net of allowances	(10,611)	110	(10,501)
Decrease in accounts payable	(85)	-	(85)
Increase in accrued expenses	14	-	14
Increase in due to other Funds	6,629	-	6,629
Increase in deferred revenue	1,683	-	1,683
Increase in other current liabilities	963	1	964
Increase in compensated absences	12	-	12
Net Change in Assets and Liabilities	(1,395)	111	(1,284)
Net Cash Provided by Operating Activities	13,719	84	13,803
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Other non-operating revenues	28,054	-	28,054
Operating transfers in	19	-	19
Operating transfers out	-	(1)	(1)
Net Cash Provided (Used) by Non-capital Financing Activities	28,073	(1)	28,072
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(1,873)	-	(1,873)
Net Cash Provided by Capital and Related Financing Activities	(1,873)	-	(1,873)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of investments	511,313	-	511,313
Purchase of investments	(550,142)	-	(550,142)
Net Cash Used by Investing Activities	(38,829)	-	(38,829)
Net Increase in Cash and Short-term Investments	1,090	83	1,173
Cash and Short-term Investments, July 1, 1988	59,915	1,155	61,070
Cash and Short-term Investments, June 30, 1989	$ 61,005	$ 1,238	$ 62,243

PENSION TRUST FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
PENSION TRUST FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS	CORRECTIONS	TOTAL
Current Assets:					
Cash and investments	$ 1,989,655	$ 50,605	$ 2,127	$ 5,543	$ 2,047,930
Receivables, net of allowances:					
Interest	46,949	16,441	1,444	814	65,648
Other	138,931	3,361	272	927	143,491
Total Current Assets	2,175,535	70,407	3,843	7,284	2,257,069
Long-term Assets:					
Investments	5,106,906	1,101,186	80,472	81,475	6,370,039
Fixed assets:					
Property and equipment	2,601	635	-	-	3,236
Less: accumulated depreciation	(232)	(27)	-	-	(259)
Total Long-term Assets	5,109,275	1,101,794	80,472	81,475	6,373,016
Total Assets	$ 7,284,810	$ 1,172,201	$ 84,315	$ 88,759	$ 8,630,085
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 457	$ -	$ -	$ -	$ 457
Accrued expenses	631,698	-	-	-	631,698
Total Liabilities	632,155	-	-	-	632,155
Fund Balances, all reserved for retirement benefits	6,652,655	1,172,201	84,315	88,759	7,997,930
Total Liabilities and Fund Balances	$ 7,284,810	$ 1,172,201	$ 84,315	$ 88,759	$ 8,630,085

STATE OF ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1989
(Expressed in Thousands)

	STATE RETIREMENT	PUBLIC SAFETY	ELECTED OFFICIALS	CORRECTIONS	TOTAL
OPERATING REVENUES:					
Earnings on investments	$ 673,914	$ 106,250	$ 9,391	$ 6,981	$ 796,536
Retirement contributions	309,355	53,461	4,785	15,629	383,230
Other	43	-	-	-	43
Total Operating Revenues	983,312	159,711	14,176	22,610	1,179,809
OPERATING EXPENSES:					
Retirement benefits	317,471	37,046	3,905	3,456	361,878
Depreciation and amortization	58	-	-	-	58
Other	1,237	-	-	-	1,237
Total Operating Expenses	318,766	37,046	3,905	3,456	363,173
Operating Income	664,546	122,665	10,271	19,154	816,636
OTHER FINANCING SOURCES (USES):					
Operating transfers in	515	1,504	51	276	2,346
Operating transfers out	(1,831)	(2)	-	(513)	(2,346)
Other financing sources (uses)	(398)	(2)	-	-	(400)
Net Income	662,832	124,165	10,322	18,917	816,236
Fund Balances, July 1, 1988	5,989,823	1,048,036	73,993	69,842	7,181,694
Fund Balances, June 30, 1989	$ 6,652,655	$ 1,172,201	$ 84,315	$ 88,759	$ 7,997,930

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AGENCY FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
AGENCY FUNDS
JUNE 30, 1989
(Expressed in Thousands)

ASSETS	LOCAL GOVERNMENT INVESTMENT POOL	TREASURER CUSTODIAL SECURITIES	DEFERRED COMPENSATION	OTHER AGENCY FUNDS	TOTAL
Current Assets:					
Cash and investments	$ 697,385	$ 406,632	$ -	$ 128,859	$ 1,232,876
Receivables, net of allowances:					
Interest	347	-	-	839	1,186
Other	5,374	-	522	-	5,896
Due from other Funds	-	-	-	519	519
Other	-	-	213	-	213
Total Current Assets	703,106	406,632	735	130,217	1,240,690
Long-term investments	-	-	89,497	504	90,001
Total Assets	$ 703,106	$ 406,632	$ 90,232	$ 130,721	$ 1,330,691
LIABILITIES					
Current liabilities:					
Accounts payable	$ -	$ -	$ -	$ 1,149	$ 1,149
Due to local governments	703,106	-	-	91,751	794,857
Due to other Funds	-	-	-	2,869	2,869
Other	-	406,632	-	34,952	441,584
Total Current Liabilities	703,106	406,632	-	130,721	1,240,459
Long-term Liabilities:					
Liabilities to plan investors	-	-	90,232	-	90,232
Total Liabilities	$ 703,106	$ 406,632	$ 90,232	$ 130,721	$ 1,330,691

STATE OF ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 1989
(Expressed in Thousands)

	BALANCE JULY 1, 1988	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 1989
ASSETS:				
Local Government Investment Pool	$ 982,671	$ 711,637	$ 991,202	$ 703,106
Treasurer's Custodial Securities	266,998	239,302	99,668	406,632
Deferred Compensation	74,466	21,216	5,450	90,232
Other Agency Funds	123,877	132,475	125,631	130,721
Total Assets	$ 1,448,012	$ 1,104,630	$ 1,221,951	$ 1,330,691
LIABILITIES:				
Local Government Investment Pool	$ 982,671	$ 711,637	$ 991,202	$ 703,106
Treasurer's Custodial Pool	266,998	239,302	99,668	406,632
Deferred Compensation	74,466	21,216	5,450	90,232
Other Agency Funds	123,877	132,475	125,631	130,721
Total Liabilities	$ 1,448,012	$ 1,104,630	$ 1,221,951	$ 1,330,691

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UNIVERSITY FUNDS

STATE OF ARIZONA
COMBINING BALANCE SHEET
UNIVERSITY FUNDS
JUNE 30, 1989
(Expressed in Thousands)

	CURRENT OPERATING FUNDS				
	UNRESTRICTED				
ASSETS	GENERAL OPERATING FUNDS	DESIGNATED FUNDS	AUXILIARY ENTERPRISES FUNDS	RESTRICTED FUNDS	TOTAL CURRENT OPERATING FUNDS
Current Assets:					
Cash and investments	$ 30,484	$ 19,859	$ 21,469	$ 7,870	$ 79,682
Other receivables, net of allowances	584	10,612	13,423	27,106	51,725
Due from other funds	55	17,750	1,205	808	19,818
Inventories, at cost	63	109	11,029	-	11,201
Total Current Assets	31,186	48,330	47,126	35,784	162,426
Long-term Assets:					
Investments	-	3,504	-	-	3,504
Fixed assets:					
Property and equipment	-	7	-	51	58
Total Long-term Assets	-	3,511	-	51	3,562
Total Assets	$ 31,186	$ 51,841	$ 47,126	$ 35,835	$ 165,988
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts payable	$ 10,481	$ 2,498	$ 2,566	$ 3,380	$ 18,925
Accrued expenses	5,588	827	720	2,136	9,271
Due to other Funds	6,111	-	1,545	11,280	18,936
Deferred revenue	2,460	10,644	18,508	1,190	32,802
Current portion of long-term debt	-	-	-	-	-
Other	-	61	1,357	-	1,418
Total Current Liabilities	24,640	14,030	24,696	17,986	81,352
Long-term Liabilities:					
Long-term debt:					
Revenue bonds	-	-	-	-	-
Certificates of participation	-	-	-	-	-
Leases and installment purchases	-	-	-	-	-
Total Long-term Liabilities	-	-	-	-	-
Total Liabilities	24,640	14,030	24,696	17,986	81,352
Fund Balances:					
Restricted	-	-	-	17,849	17,849
Designated	6,546	37,811	22,430	-	66,787
Net investment in plant	-	-	-	-	-
Total Fund Balances	6,546	37,811	22,430	17,849	84,636
Total Liabilities and Fund Balances	$ 31,186	$ 51,841	$ 47,126	$ 35,835	$ 165,988

NON-OPERATING FUNDS

STUDENT LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	AGENCY FUNDS	PLANT FUNDS	TOTAL ALL FUNDS
$ 1,607	$ 19,131	$ 10,817	$ 45,951	$ 157,188
32,884	1,706	720	9,339	96,374
4	-	-	-	19,822
-	-	-	-	11,201
34,495	20,837	11,537	55,290	284,585
-	42,104	25	236,082	281,715
-	6,328	-	1,576,608	1,582,994
-	48,432	25	1,812,690	1,864,709
$ 34,495	$ 69,269	$ 11,562	$ 1,867,980	$ 2,149,294
$ 22	$ -	$ 690	$ 24,634	$ 44,271
4	-	317	-	9,592
-	245	-	2,089	21,270
-	2	-	17	32,821
-	-	-	12,163	12,163
-	-	10,555	1,901	13,874
26	247	11,562	40,804	133,991
-	-	-	429,157	429,157
-	-	-	62,760	62,760
-	-	-	44,409	44,409
-	-	-	536,326	536,326
26	247	11,562	577,130	670,317
34,182	46,654	-	72,700	171,385
287	22,368	-	21,971	111,413
-	-	-	1,196,179	1,196,179
34,469	69,022	-	1,290,850	1,478,977
$ 34,495	$ 69,269	$ 11,562	$ 1,867,980	$ 2,149,294

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GENERAL FIXED ASSETS

STATE OF ARIZONA
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION
JUNE 30, 1989
(Expressed in Thousands)

FUNCTION	LAND	OTHER IMPROVEMENTS	BUILDINGS	EQUIPMENT	INFRASTRUCTURE	TOTALS
General government	$ 24,272	$ 5,415	$ 154,629	$ 83,127	$ -	$ 267,443
Health and welfare	1,975	980	15,154	11,651	-	29,760
Inspection and regulation	-	-	26	4,330	-	4,356
Education	-	-	-	494	-	494
Protection and safety	6,913	255	267,371	26,401	-	300,940
Transportation	5,825	-	64,431	31,448	2,791,544	2,893,248
Natural resources	5,567	7,669	8,835	17,135	-	39,206
Total General Fixed Assets by Function	44,552	14,319	510,446	174,586	2,791,544	3,535,447
Construction in progress	-	-	2,680	-	809,319	811,999
Total General Fixed Assets	$ 44,552	$ 14,319	$ 513,126	$ 174,586	$ 3,600,863	$ 4,347,446

STATE OF ARIZONA
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
JUNE 30, 1989
(Expressed in Thousands)

FUNCTION	BALANCE JULY 1, 1988	ADDITIONS	DELETIONS	BALANCE JUNE 30, 1989
General government	$ 239,469	$ 31,156	$ (3,182)	$ 267,443
Health and welfare	33,556	4,396	(8,192)	29,760
Inspection and regulation	3,021	1,560	(225)	4,356
Education	283	213	(2)	494
Protection and safety	283,155	19,321	(1,536)	300,940
Transportation	2,668,409	467,978	(243,139)	2,893,248
Natural resources	35,397	4,606	(797)	39,206
Total General Fixed Assets by Function	$ 3,263,290	$ 529,230	$ (257,073)	$ 3,535,447
Construction in progress	1,052,449			811,999
Total General Fixed Assets	$ 4,315,739			$ 4,347,446

STATISTICAL SECTION

STATE OF ARIZONA
REVENUES BY SOURCE (BUDGETARY BASIS)
GENERAL AND SPECIAL REVENUE FUNDS ONLY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30					
	1989	1988	1987	1986	1985	1984
TAXES:						
General:						
Income	$ 967,622	$ 873,497	$ 835,501	$ 771,449	$ 730,875	$ 633,166
Property	87,996	62,278	61,843	58,292	57,688	84,546
Sales and Use	1,340,810	1,250,133	1,199,560	1,150,177	1,070,245	854,410
Motor Vehicle License	69,504	47,398	44,890	51,595	46,845	42,454
Luxury	69,053	70,805	69,569	69,471	68,235	66,978
Insurance Premium	79,720	76,835	70,476	60,637	49,566	43,521
Other	41,076	49,579	38,238	26,033	25,941	23,142
Special Revenue:						
Motor Vehicle Fuel	399,002	167,587	171,860	137,495	117,131	103,562
Sales and Use	4,811	4,861	179,072	54,863	49,574	46,400
Other	127,593	97,131	68,878	36,429	39,694	11,541
TOTAL	3,187,187	2,700,104	2,739,887	2,416,441	2,255,794	1,909,720
LICENSES, FEES AND PERMITS:						
General	31,397	32,801	29,399	24,550	9,135	7,742
Special Revenue	182,376	143,006	125,641	98,830	82,496	72,268
TOTAL	213,773	175,807	155,040	123,380	91,631	80,010
CHARGES FOR SERVICES:						
General	73,533	9,189	8,739	8,238	90,759	141,358
Special Revenue	4,669	2,949	4,527	30,294	26,718	26,422
TOTAL	78,202	12,138	13,266	38,532	117,477	167,780
FINES AND FORFEITURES:						
General	2,068	4,806	1,358	865	713	818
Special Revenue	19,478	20,183	17,162	16,668	13,316	14,018
TOTAL	21,546	24,989	18,520	17,533	14,029	14,836
INTERGOVERNMENTAL	308,278	755,665	744,323	576,905	572,205	458,006
INTEREST	54,566	26,797	20,401	20,998	27,218	23,267
OTHER REVENUE:						
General	6,802	59,001	42,028	32,518	19,790	44,213
Special Revenue	10,489	45,964	37,123	63,889	71,303	53,030
TOTAL	17,291	104,965	79,151	96,407	91,093	97,243
TOTAL REVENUES	$3,880,843	$3,800,465	$3,770,588	$3,290,196	$3,169,447	$2,750,862

Source: State of Arizona Annual Financial Report (Budgetary Basis)

FOR THE YEAR ENDED JUNE 30			
1983	1982	1981	1980
$ 575,296	$ 487,977	$ 435,667	$ 390,039
83,176	88,393	90,032	43,641
616,324	581,145	540,444	612,999
33,355	32,173	32,017	31,993
64,619	64,107	62,546	61,979
44,569	25,625	32,523	29,458
22,985	24,060	23,182	24,196
77,943	60,408	83,259	84,475
24,737	15,075	4	-
2,878	2	19,698	17,532
1,545,882	1,378,965	1,319,372	1,296,312
15,739	12,968	13,995	70,331
64,964	73,277	67,146	-
80,703	86,245	81,141	70,331
119,963	115,364	36,328	33,086
26,805	13,414	14,823	13,353
146,768	128,778	51,151	46,439
417	973	250	576
3,770	2,737	3,132	2,769
4,187	3,710	3,382	3,345
392,495	236,288	345,069	345,726
25,706	75,235	85,406	61,107
90,797	115,284	311,784	150,704
58,608	378,643	191,094	77,635
149,405	493,927	502,878	228,339
$2,345,146	$2,403,148	$2,388,399	$2,051,599

STATE OF ARIZONA
EXPENDITURES BY FUNCTION (BUDGETARY BASIS)
GENERAL AND SPECIAL REVENUE FUNDS ONLY
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

	FOR THE YEAR ENDED JUNE 30					
	1989	1988	1987	1986	1985	1984
EXPENDITURES:						
GENERAL GOVERNMENT						
General	$ 172,373	$ 175,039	$ 156,969	$ 149,539	$ 121,311	$ 185,602
Special Revenue	22,631	45,369	17,238	16,658	23,379	20,030
TOTAL	195,004	220,408	174,207	166,197	144,690	205,632
HEALTH AND WELFARE						
General	236,941	524,987	448,783	428,998	375,823	306,230
Special Revenue	58,932	536,098	458,012	394,195	393,671	321,274
TOTAL	295,873	1,061,085	906,795	823,193	769,494	627,504
INSPECTION AND REGULATION						
General	33,907	34,423	30,980	27,893	23,943	21,668
Special Revenue	35,304	30,366	25,672	34,405	18,943	17,063
TOTAL	69,211	64,789	56,652	62,298	42,886	38,731
EDUCATION						
General	1,206,528	1,556,981	1,471,623	1,420,420	1,392,247	1,225,114
Special Revenue	11,517	15,555	14,482	13,854	11,627	10,803
TOTAL	1,218,045	1,572,536	1,486,105	1,434,274	1,403,874	1,235,917
PROTECTION AND SAFETY						
General	248,950	291,857	245,870	237,813	207,234	172,666
Special Revenue	37,897	23,507	95,534	91,822	91,421	85,904
TOTAL	286,847	315,364	341,404	329,635	298,655	258,570
TRANSPORTATION						
General	3,834	2,534	3,669	64	792	85
Special Revenue	896,877	550,004	772,451	518,260	437,343	334,386
TOTAL	900,711	552,538	776,120	518,324	438,135	334,471
NATURAL RESOURCES						
General	30,744	26,878	26,458	28,990	16,781	17,344
Special Revenue	24,098	27,695	24,968	17,243	18,760	18,876
TOTAL	54,842	54,573	51,426	46,233	35,541	36,220
MISCELLANEOUS						
General	-	-	-	-	-	-
Special Revenue	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-
TOTAL EXPENDITURES	$3,020,533	$3,841,293	$3,792,709	$3,380,154	$3,133,275	$2,737,045

Source: State of Arizona Annual Financial Report (Budgetary Basis)

FOR THE YEAR ENDED JUNE 30			
1983	1982	1981	1980
$ 164,549	$ 156,903	$ 150,299	$ 127,369
19,697	16,558	18,003	18,124
184,246	173,461	168,302	145,493
240,241	121,765	122,762	98,239
162,849	264,139	234,894	212,882
403,090	385,904	357,656	311,121
27,742	30,981	29,081	23,006
8,381	28,337	7,464	5,121
36,123	59,318	36,545	28,127
1,164,590	1,114,867	1,017,824	796,224
13,598	91,869	91,943	76,661
1,178,188	1,206,736	1,109,767	872,885
141,657	122,516	103,120	67,991
48,369	70,622	68,467	57,150
190,026	193,138	171,587	125,141
2,435	5,152	12,907	933
241,387	249,112	259,730	285,266
243,822	254,264	272,637	286,199
21,179	21,274	19,766	12,650
17,873	38,636	36,804	32,268
39,052	59,910	56,570	44,918
-	4,376	3,005	2,013
-	-	-	-
-	4,376	3,005	2,013
$2,274,547	$2,337,107	$2,176,069	$1,815,897

STATE OF ARIZONA
PROPERTY TAX LEVIES, COLLECTIONS,
TAXABLE PROPERTY ASSESSED AND ESTIMATED ACTUAL VALUE, AND
PROPERTY TAX RATES
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

Property Tax Year	Property Tax Levies	Collections Related to Property Tax Year	Taxable Property Assessed Value	Taxable Property Estimated Actual Value	Property Tax Rate
1989	$99,211	$91,781	$21,001,064	$22,333,861	.47%
1988	90,609	84,794	19,285,866	20,817,297	.47%
1987	68,263	67,483	17,963,890	19,338,984	.38%
1986	60,270	60,021	15,860,423	17,641,938	.38%
1985	54,642	54,462	13,660,462	15,189,697	.40%
1984	48,539	48,380	12,134,656	13,529,131	.40%
1983	83,408	83,134	11,121,055	12,818,149	.75%
1982	74,482	74,237	9,330,889	11,177,721	.80%
1981	84,349	84,071	8,884,732	9,953,648	.95%
1980	96,261	95,945	7,730,661	8,005,159	1.25%

Source: State of Arizona Annual Financial Report (Budgetary Basis) and the Department of Revenue Annual Financial Report.

STATE OF ARIZONA
HIGHWAY CONSTRUCTION REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

Fiscal Year	Gross Revenues(1)	Debt Service Requirements			
		Principal	Interest	Total	Coverage
1989	$320,822	$ 22,120	$ 27,993	$50,113	6.4
1988	292,766	21,015	29,234	50,249	5.8
1987	279,869	11,330	24,198	35,528	7.9
1986	239,408	9,145	16,650	25,795	9.3
1985	202,981	8,330	17,465	25,795	7.9
1984	174,188	7,585	18,209	25,794	6.8
1983	140,053	2,225	11,878	14,103	9.9
1982	130,743	2,050	2,909	4,959	26.4
1981	121,764	1,925	3,048	4,973	24.5
1980	-	-	-	-	-

NOTES:

(1) Operating Income and Other Financing Sources (Uses)--(Transfers In and Out)

Source: Statistical Section of Annual Financial Report for Arizona Department of Transportation.

STATE OF ARIZONA
ENTERPRISE FUNDS (COLISEUM) REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

Fiscal Year	Gross Revenues(1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
1989	$ 11,905	$ 10,413	$ 1,492	$ 350	$ 97	$ 447	3.34
1988	10,933	8,689	2,244	335	112	447	5.02
1987	10,282	7,798	2,484	320	126	446	5.57
1986	9,690	7,528	2,162	305	140	445	4.86
1985	8,659	7,091	1,568	295	153	448	3.50
1984	8,752	6,786	1,966	280	164	444	4.43
1983	8,005	6,436	1,569	270	177	447	3.51
1982	7,042	6,213	829	260	188	448	1.85
1981	6,372	5,360	1,012	250	199	449	2.25
1980	5,283	4,578	705	240	210	450	1.57

NOTES:
(1) Operating Revenue and Other Revenue exclusive of gain on retirement of bonds

(2) Total expenses exclusive of interest, depreciation and amortization

Source: Veterans Memorial Coliseum and Exposition Center

STATE OF ARIZONA
ARIZONA STATE UNIVERSITY REVENUE BOND COVERAGE
FISCAL YEAR ENDING JUNE 30, 1989

NOTE: Arizona State University revenue bond coverage information is not available

STATE OF ARIZONA
NORTHERN ARIZONA UNIVERSITY REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

Fiscal Year	Gross Revenues (1)(2)	Debt Service Requirements			Coverage(2)
		Principal	Interest	Total	
1989	$ 35,917	$ 775	$ 4,030	$ 4,805	
1988	30,273	1,085	4,070	5,155	
1987	28,357	1,175	4,407	5,582	
1986	24,567	635	2,812	3,447	
1985		510	2,832	3,342	
1984		335	2,133	2,468	
1983		275	987	1,262	
1982		270	541	811	
1981		265	541	806	
1980		541	696		

NOTES:
(1) "Gross Revenues" and include only revenues that are pledged for debt service payments under the System Revenue Bond Indentures.

(2) Missing information not available

Source: Northern Arizona University

STATE OF ARIZONA
UNIVERSITY OF ARIZONA REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
1989	$415,539	$387,977	$ 27,562	$ 2,712	$ 10,906	$13,618	2.02
1988	376,347	351,475	24,872	2,586	9,679	12,265	2.03
1987	343,805	323,999	19,806	430	9,553	9,983	1.98
1986	322,733	302,230	20,503	428	5,671	6,099	3.36
1985	286,662	274,930	11,732	368	4,865	5,233	2.24
1984	256,080	239,673	16,407	710	4,847	5,557	2.95
1983	224,089	221,640	2,449	384	2,467	2,851	.86
1982	236,939	217,159	19,780	368	1,694	2,062	9.59
1981	214,531	193,881	20,650	366	2,115	2,481	8.32
1980	184,971	166,392	18,579	355	1,961	2,316	8.02

NOTES:
(1) "Gross Revenues" and "Direct Operating Expenses" include Current Operating Unrestricted Funds only since these are the Funds that are pledged for debt service payments under the System Revenue Bond Indentures.

In order to maintain comparability between fiscal years, we have omitted financial information related to the University Hospital since control passed to the University Medical Center Corporation as of July 1, 1984.

Also excluded from expenses is interest, depreciation and amortization.

Source: University of Arizona Controller's Office

STATE OF ARIZONA
UNIVERSITY MEDICAL CENTER REVENUE BOND COVERAGE
FOR THE LAST FIVE FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
1989	$148,808	$136,604	$12,204	$ -	$ 2,968	$ 2,968	4.11
1988	129,581	119,656	9,925	-	2,585	2,585	3.84
1987	109,856	100,543	9,313	-	1,934	1,934	4.81
1986	92,508	87,418	5,090	-	1,197	1,197	4.25
1985	79,418	75,715	3,703	-	482	482	7.68

Source: University Medical Center

STATE OF ARIZONA
ECONOMIC INDICATORS
FOR THE LAST TEN YEARS

Year	Unemployment Rate		Per Capita Personal Income	
	Arizona	U.S.	Arizona	U.S.
1989	5.2%	5.5%	$12,282	$13,378
1988	6.3%	6.2%	12,029	13,245
1987	6.3%	6.2%	12,169	13,025
1986	6.9%	7.0%	11,895	12,516
1985	6.5%	7.2%	11,253	11,878
1984	4.9%	7.5%	10,560	11,257
1983	9.1%	9.6%	9,589	10,350
1982	9.9%	9.7%	8,844	9,721
1981	6.1%	7.6%	8,639	9,240
1980	6.7%	7.1%	7,943	8,424

Source: Arizona Department of Economic Security

STATE OF ARIZONA
MAJOR EMPLOYERS
FISCAL YEAR ENDING JUNE 30, 1989

EMPLOYER	NUMBER OF EMPLOYEES
State of Arizona	34,000
Motorola, Inc.	21,000
Allied-Signal Aerospace Company	14,000
Maricopa County	11,295
City of Phoenix	10,862
United States Postal Service	10,019
Samaritan Health Service	9,500
University of Arizona	9,356
The Circle K Corporation	9,135
Luke Air Force Base	9,000

Source: Most of the information was obtained from the respective employers' Human Resources, Communications, Payroll, Personnel or Public Affairs department. Some information was obtained from the December 1989 edition of the VNB Arizona Statistical Review and the May 21, 1990 edition of The Business Journal.

STATE OF ARIZONA
POPULATION BY AGE GROUP

Age Group	1980 Arizona Census	1980 Arizona Percent	1980 U.S. Census	1980 U.S. Percent	1990 Arizona Projection	1990 Arizona Percent	1990 U.S. Projection	1990 U.S. Percent
0-14	643,591	23.68%	51,290,339	22.64%	820,928	22.10%	54,582,000	21.86%
15-24	515,733	18.97%	42,486,828	18.75%	527,822	14.21%	35,548,000	14.24%
25-34	444,276	16.35%	37,081,839	16.37%	681,666	18.35%	43,529,000	17.44%
35-54	549,332	20.21%	48,434,497	21.38%	908,214	24.45%	63,249,000	25.33%
55-64	258,881	9.52%	21,702,875	9.58%	308,201	8.30%	21,051,000	8.43%
65 and over	306,402	11.27%	25,549,427	11.28%	467,441	12.59%	31,697,000	12.70%
TOTAL	2,718,215	100.00%	226,545,805	100.00%	3,714,272	100.00%	249,656,000	100.00%

Source: Department of Economic Security -- U. S. Department of Commerce, Bureau of the Census publication tables 45 and 6 of United States Summary.

STATE OF ARIZONA
SCHEDULE OF BANK AND SAVINGS & LOAN DEPOSITS
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989
(Expressed in Millions)

FISCAL	BANKS			SAVINGS & LOANS		
YEAR	STATE	FEDERAL	TOTAL DEPOSITS	STATE	FEDERAL	TOTAL DEPOSITS
1989	$7,507	$14,856	$22,363	$ 5,338	$14,048	$19,386
1988	8,304	15,020	23,324	10,947	7,881	18,828
1987	8,110	22,915	31,025	9,513	5,728	15,241
1986	7,365	13,500	20,865	9,157	5,571	14,728
1985	5,691	11,251	16,942	7,945	4,883	12,828
1984	5,119	10,738	15,857	6,592	4,024	10,616
1983	4,268	9,169	13,437	4,888	2,671	7,559
1982	3,757	8,396	12,153	3,736	2,324	6,060
1981	3,167	7,328	10,495	3,463	2,043	5,506
1980	2,931	6,721	9,652	2,989	1,584	4,573

Source: Arizona Banking Department

STATE OF ARIZONA
PUBLIC SCHOOL ENROLLMENT - GRADES K-12
FOR THE LAST TEN ACADEMIC YEARS

Academic Year	Grades K-3	Grades 4-6	Grades 7-9	Grades 10-12	Total All Grades	High School Dropouts	
						Total	Percent (1)
1988-89	212,942	139,899	132,310	110,624	595,775	18,459	.12%
1987-88	217,167	139,709	132,867	129,352	619,095	11,391	.06%
1986-87	208,240	134,235	144,467	131,284	618,226	12,772	.06%
1985-86	195,886	127,406	145,229	127,262	595,783	12,662	.12%
1984-85	182,263	124,453	149,719	121,057	577,492	14,399	.44%
1983-84	171,375	124,179	146,817	118,751	561,122	11,656	.07%
1982-83	164,146	126,851	141,834	119,564	552,395	17,731	.84%
1981-82	160,564	130,951	136,092	119,495	547,102	16,743	.32%
1980-81	162,662	130,992	134,853	122,741	551,248	15,076	.07%
1979-80	168,569	127,605	137,654	126,603	560,431	16,783	.75%

NOTES:

(1) % of total high school enrollment (grades 9-12)

Source: Arizona Department of Education

STATE OF ARIZONA
PUBLIC HIGHER EDUCATION INSTITUTES
FTE FALL ENROLLMENT FOR THE LAST TEN YEARS

INSTITUTION	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Universities:										
Arizona State University	36,283	35,893	35,269	31,283	30,702	31,164	30,629	29,984	29,783	29,581
Northern Arizona University	14,248	13,233	11,960	10,973	10,393	10,158	10,141	10,220	10,525	10,675
University of Arizona	31,857	30,112	29,043	25,799	25,438	25,184	25,406	26,059	25,959	25,017
Total Universities	82,388	79,238	76,272	68,055	66,533	66,506	66,176	66,263	66,267	65,273
Community Colleges:										
Cochise County	2,742	2,630	2,711	2,186	2,081	2,175	2,170	2,187	2,150	2,156
Graham County	2,082	2,253	2,022	1,943	1,809	1,954	2,079	1,781	1,848	1,824
Maricopa County	33,653	30,847	29,029	27,417	27,171	28,694	29,816	28,466	28,194	27,299
Mohave County	1,217	1,400	1,284	1,071	991	1,012	1,162	1,027	1,094	1,033
Navajo County	1,654	1,831	1,794	1,678	1,462	1,710	1,932	1,928	1,689	1,566
Pima County	11,887	11,464	10,616	10,003	10,043	10,247	11,198	10,518	10,167	11,038
Pinal County	2,208	2,558	2,411	2,268	2,062	2,533	2,612	2,539	2,612	2,452
Yavapai County	2,315	2,246	1,913	1,710	1,696	1,824	1,917	1,988	1,840	1,815
Yuma County	2,144	2,052	1,865	1,825	1,804	1,921	1,862	1,913	1,894	1,952
Total Community Colleges	59,902	57,281	53,645	50,101	49,119	52,070	54,748	52,347	51,488	51,135
Total All Institutions	142,290	136,519	129,917	118,156	115,652	118,576	120,924	118,610	117,755	116,408

Source: Arizona Board of Regents
State Board of Directors for Community Colleges

STATE OF ARIZONA
AVERAGE STATE PRISON ADULT INMATE POPULATION
FOR THE LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30, 1989

INCARCERATION INSTITUTION	CAPACITY AS OF APRIL 1990	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80
Florence Complex	4,044	3,620	3,287	3,168	3,000	2,886	2,653	2,356	2,126	1,996	1,998
Perryville Complex	1,400	1,344	1,376	1,374	1,383	1,286	1,149	1,151	862	50	-
Phoenix Complex	704	985	1,029	864	806	747	638	370	369	330	121
Tucson Complex	2,095	2,329	2,253	1,915	1,531	1,215	1,051	756	-	-	-
Douglas Complex	1,518	1,855	1,581	1,167	353	88	6	-	-	-	-
Winslow Complex	650	513	120	43	15	-	-	-	-	-	-
Fort Grant Complex	503	672	674	609	790	795	769	774	691	590	566
Safford Complex	384	372	383	344	321	297	298	277	251	235	210
Yuma Complex	250	112	-	-	-	-	-	-	-	-	-
Total	11,548	11,802	10,703	9,484	8,199	7,314	6,564	5,684	4,299	3,201	2,895
Repeat Offenders Admitted		1,172	539	620	353	628	524	595	515	477	N/A

Source: Arizona Department of Corrections

STATE OF ARIZONA
ASSESSED VALUE OF NEW COMMERCIAL
AND RESIDENTIAL CONSTRUCTION
FOR THE LAST TEN YEARS

CALENDAR YEAR ENDED DECEMBER 31	COMMERCIAL CONSTRUCTION				RESIDENTIAL CONSTRUCTION			
	NUMBER OF UNITS	PERCENT CHANGE	VALUE (Expressed in Thousands)	PERCENT CHANGE	NUMBER OF UNITS	PERCENT CHANGE	VALUE (Expressed in Thousands)	PERCENT CHANGE
1989	29,002	-14.50%	$1,828,526	-23.31	41,518	-6.91%	$1,970,457	-11.00%
1988	33,921	-17.52%	2,384,432	-9.21%	44,601	-12.74%	2,213,987	-10.75%
1987	41,127	-9.77%	2,626,416	-8.48%	51,115	-13.43%	2,480,641	-2.36%
1986	45,578	-4.94%	2,869,643	-8.00%	59,047	-3.12%	2,540,719	-9.05%
1985	47,949	-2.05%	3,119,315	-1.62%	60,948	7.47%	2,329,879	11.41%
1984	48,955	3.26%	3,170,534	71.10%	56,710	-2.58%	2,091,333	19.68%
1983	47,408	39.03%	1,853,083	33.62%	58,210	34.46%	1,747,427	78.00%
1982	34,098	-6.82%	1,386,781	0.57%	43,291	-5.92%	981,706	-6.33%
1981	36,592	2.15%	1,378,860	3.33%	46,016	-8.48%	1,048,097	-0.92%
1980	35,823	-7.35%	1,334,456	3.29%	50,278	-26.69%	1,057,794	-20.40%
1979	38,664	3.81%	1,291,988	42.39%	68,579	-4.07%	1,328,924	-10.36%

Source: Center for Business Research
College of Business, Arizona State University

STATE OF ARIZONA
GROSS STATE PRODUCT BY SECTOR
FOR SELECTED YEARS
(Expressed in Millions of 1982 Dollars)

SECTOR OF ECONOMY	1977	1982	1988	1989	SECTOR AS % OF 1989 TOTAL
Government	$ 4,270	$ 4,942	$ 5,970	$ 6,028	12.05%
Manufacturing	3,904	5,205	9,126	9,190	18.37%
Mining	1,354	2,007	1,110	1,075	2.15%
Construction	1,957	2,133	3,087	2,868	5.73%
Trade	4,658	5,753	8,472	9,083	18.15%
Finance, Insurance, Real Estate	4,408	5,101	7,187	7,400	14.79%
Transportation, Communications and Public Utilities	2,209	2,769	4,374	4,651	9.29%
Service	3,932	5,084	7,959	8,536	17.06%
Agriculture	860	1,266	1,249	1,204	2.41%
	$27,552	$34,260	$48,534	$50,035	100.00%

Source: Recomputed from the "Arizona Quarterly Gross State Product at Annual Rate in Billions of 1982 Dollars" report -- Center for Business Research, College of Business, Arizona State University.

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